Barry L. Sams
Principal Environmental Engineer

ATTACHMENT NOT INCLUDED

March 24, 1995

NL

VIA FEDERAL EXPRESS

Noel Bennett
Remedial Project Manager
U.S. Environmental Protection Agency
Region VI
Superfund Programs Branch (6H-SR)
1445 Ross Avenue
Dallas, Texas 75202-2733

Re: **Request for Information Pursuant to CERCLA Section 104**
Tar Creek Superfund Site, Ottawa County, Oklahoma

Dear Mr. Bennett:

On or about September 29, 1994, U.S. EPA Region VI issued requests for information related to the Tar Creek Superfund Site (the "Site") pursuant to CERCLA Section 104 to NL Industries, Inc. ("NL") and five other companies (collectively, the "Respondents"). At a meeting between representatives of EPA and Respondents in your offices on October 5, 1994, EPA agreed, among other things, that the Respondents could respond collectively to questions 17, 19, 20, 21, 22, 23, 24, 25 and 26. U.S. EPA confirmed this and other agreements in its November 22, 1994, letter to, among others, Barry L. Sams of NL Industries, signed by Allyn M. Davis for Jane N. Saginaw, Regional Administrator. Subsequently, by letter dated February 22, 1995, from Mr. Davis to Gary D. Uphoff, U.S. EPA extended the deadline for response to the September 29, 1994, information request until March 24, 1995.

By letter and attachments of March 8, 1995, NL and the other Respondents responded to questions 17, 19, 20, 21, 22, 23, 24, 25 and 26 of the September 29, 1994, information request. The purpose of this letter is to respond on behalf of NL Industries to questions 1 through 16, inclusive, 18, and 27 through 43, inclusive. To the extent that the Respondents' collective March 8 responses contain information also responsive to questions 1 through 16, inclusive, 18, and 27 through 43, inclusive, NL incorporates the March 8 responses herein. To the extent that the Respondents' collective March 8 responses did not contain information that NL believes may be responsive, it is included herein.

Also, U.S. EPA's November 22, 1994, letter stated that each Respondent is required to provide information regarding itself, its parents, its subsidiaries, its successors, and other related entities, but not regarding other unrelated companies. Accordingly, NL provides such information only for NL.

NL Industries, Inc.
Corporate Environmental Services
P.O. Box 1090, Hightstown, N.J. 08520 Tel. (609) 443-2410
Telecopier (609) 443-2374

NL states that potentially responsive documents which NL or other Respondents have previously submitted to EPA or which NL has received from EPA in conjunction with the Site are not contained herein. Also, NL is not transmitting United States Bureau of Mines Records regarding Site or Ottawa County mining as Respondents provided these records to EPA on March 8. In addition, information NL received in the 1980s from other potentially responsible parties ("PRPs") or their representatives regarding their activities at the Site is not contained herein. The PRPs developed this information to promote formation of a PRP group, evaluate settlement of EPA's 1984-85 demands and identify non-participating PRPs. This information is therefore protected from disclosure by the joint defense privilege.

NL objects to U.S. EPA's September 29, 1994, information request to the extent that it seeks information from all time periods, including time periods irrelevant to NL's alleged activities at the Site. NL also objects to U.S. EPA's September 29, 1994, information request to the extent that it seeks information protected by the attorney client privilege, joint defense privilege or work product doctrine.

Should you have additional questions about NL's responses, please contact NL's counsel Marcus Martin of Bartlit Beck Herman Palenchar & Scott at (303)-592-3180 or Lisa Esayian of Kirkland & Ellis at (312)-861-2226.

QUESTIONS

1. Identify the person(s) answering these questions on behalf of the Respondent.

Barry L. Sams, Principal Environmental Engineer, NL Industries, Inc., P.O. Box 1090 Wyckoffs Mill Road, Hightstown, New Jersey, 08520, and counsel for NL Industries answered these questions on behalf of NL.

2. For each and every question contained herein, identify all persons consulted in the preparation of the answer. In addition to persons identified above, Lisa Broomas, P.O. Box 4272, Houston, TX and John Hager, 3000 North Belt East, Houston, TX.

3. For each and every question contained herein, identify all documents consulted, examined, or referred to in the preparation of the answer or that contained information responsive to the question and provide true and accurate copies of all such documents.

   See response to each question below.

4. If you know of information or documents responsive to any question in this Information Request that are not in your possession, identify the person from whom such information or documents may be obtained.

NL does not know of specific information or documents responsive to any question in U.S. EPA's September 29, 1994, information request, with the exception of U.S. Bureau of Mines records discussed in EPA's November 22, 1994 letter.

5. Identify any person you think may be able to provide a more detailed or complete response to any question contained herein, along with the additional information or documents that you think they may have.

NL objects to this question on the grounds that it requests NL to speculate about the availability of information not within the control of NL. Subject to this objection, George Schaffer, former plant manager of Baxter Springs, KS. Last known address is 131953 S. 95th East Avenue, Bixby, OK.

6. Identify all persons, including Respondent's employees, who have knowledge, information or documents about the generation, production, use, purchase, treatment, storage, disposal or other handling of hazardous materials at or transportation of hazardous materials to, on, or about the Site.

NL objects to Question 6 to the extent that its assumes that NL generated, produced, used, purchased, treated, stored, disposed or handled hazardous materials at or transported hazardous materials to, on, or about the Site. Subject to this objection, NL identifies Barry L. Sams; H. Glenn Rodman; Fred R. Baser; and counsel for NL.

7. Identify the parent corporation and all subsidiaries of Respondent. Also identify any parent of the parent corporation of Respondent.

See Attachments 1 and 2.

8. Identify all of Respondent's predecessor corporations.

See Attachments 1 and 2.

9. Identify all subsidiaries of Respondent's predecessor corporations.

See Attachments 1 and 2.

10. If Respondent is a corporation, provide EPA with a copy of the Articles of Incorporation and by-Laws of the Respondent.

See Attachment 3.

11. Identify the following companies:

(a) Asarco, Inc.
(b) Blue Tee Corporation
(c) Childress Royalty Company
(d) Gold Fields Mining Corporation
(e) NL Industries, Inc.
(f) The Doe Run Resources Corporation.

U.S. EPA's November 22, 1994, letter provides that each Respondent is required to provide information regarding itself, its parents, its subsidiaries, its successors, and other related entities, but not regarding other unrelated companies. Accordingly, NL provides such information only for NL. See Attachments 1 and 2.

12. Have any of the companies listed in question 11 or in your response to questions 8 or 9 ever dissolved, either formally or otherwise? If so, describe, respectively, the dissolution of each company which dissolved. In your description, identify to whom the assets were transferred. In your description, identify to whom the liabilities were transferred.

See Attachment 1.

13. Have any of the companies listed in question 11 or in your response to questions 8 or 9 ever filed for bankruptcy or been liquidated? If so, describe, respectively by company, the bankruptcy or liquidation. In your description, identify to whom the assets were transferred. In your description, identify to whom the liabilities were transferred.

See Attachment 1.

14. Have any of the companies listed in question 11 or in your response to questions 8 or 9 ever been sold? If so, describe, respectively by company, the sale. In your description, identify to whom the assets were transferred. In your description, identify to whom the liabilities were transferred. In your description, describe the form and terms of the transfer (e.g., whether it was a sale of assets, a sale of stock, or other form of transaction).

See Attachments 1 and 2.

15. Have any of the companies listed in question 11 or in your response to questions 8 or 9 ever been merged with or acquired by another entity? If so, describe, respectively by company, the merger or acquisition. In your description, identify to whom the assets were transferred. In your description, identify to whom the liabilities were transferred. In your description, describe the form and terms of the transfer (e.g., whether it was a sale of assets, a sale of stock, or other form of transaction).

    See Attachments 1 and 2.

16. Describe in detail by use of text, and diagrams or flow charts, the company history of the Respondent. Please include, without limitation, a description of the business relationship of the Respondent to any of the companies listed in question 11 or in your response to questions 8 or 9. Please include, without limitation, descriptions of any mergers, splits, consolidations, asset sale, other ownership changes, name changes, dissolutions, and other major events in Respondent's history.

    See Attachments 1 and 2.

17. For each of the companies listed in question 11 or in your response to questions 8 or 9, identify, and list separately by company, any property interest that each of the companies has had at any time in any portion of the Site property or Ottawa County property. Identify, and list separately by company, all documents showing such property interests, including without limitation, purchase and sale arrangements, deeds, leases, any other relevant documents, and provide EPA with copies. For real estate property interest, provide legal property descriptions, amount of acreage, and any plats or map showing property location, boundaries, or ownership information.

    Respondents' March 8 letter responded to Question 17. See also Attachment 4.

18. Provide EPA with a copy of an audited set of financial statements which includes a statement of financial position/balance sheet, income statement, and statement of changes in working capital, and any other supplementary information for Respondent's most recent fiscal year.

    See Attachment 5.

19. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, and list separately by company, the physical condition of each of the property interests in the Site or in Ottawa County of each of the companies at the time that each of these companies acquired its particular property interest in the Site or in Ottawa County. Include a description of the topography, land use, drainage

patterns, temporary and permanent buildings, well locations, and other information about the physical condition of each property interest of each company. Also describe, and list separately by company, any significant changes in physical condition that occurred on the property during the tenure of each of these companies' property interests, respectively. The description of significant physical changes should include, but should not be limited to, any earth moving operation, any movement of tailings or mining waste, any movement of solid waste, and any road construction activity. Indicate the month and year of these changes. Please identify, and list separately by company, any documents indicating the physical condition of the property throughout the tenure of each of these companies' property interests, respectively, and provide EPA with copies. Please identify any individuals, still living, who may have been present at the time, and who might know about the conditions described in your response.

NL objects to Question 19 to the extent that it assumes that NL significantly changed the physical condition of any Site property during NL's tenure. Subject to this objection, Respondents' March 8 letter responded to Question 19. NL does not have any additional information.

20. Provide copies of all reports, analyses, investigations, surveys, or other documentation of the Site's physical condition which you have not already provided to the Hazardous Waste Division of EPA Region 6.

NL is not aware of any reports, analyses, investigations, surveys, or other documentation of the Site's physical condition which have not already been provided to the Hazardous Waste Division of EPA Region 6.

21. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, and list separately by company, the nature of the actual business and operation at the Site property and any where else in Ottawa County prior to, during, and after the time in which each company had property interest(s) in any portion of the Site property or in Ottawa County property.

Respondents' March 8 letter responded to Question 21. NL does not have any additional information.

22. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, respectively for each company, any of the following activities which were undertaken at the Site and anywhere else in Ottawa County: ore production, ore processing, ore reprocessing, mining, milling, smelting, boring, waste disposal, ore transportation, and waste transportation. Identify, respectively by company, any documents which mention any of these activities, indicate the location of the

mention, and provide EPA with copies. Documents provided to EPA should include, but should not be limited to, production records, plans, maps, and process flow sheets for all mines, mills, smelters, or processing facilities where or are not located at the Site and anywhere else in Ottawa County. Documents provided to EPA should also include any information which may have been filed with or received from the U.S. Bureau of Mines.

NL objects to Question 22 to the extent that it assumes that NL disposed of or transported wastes in Ottawa County. Subject to this objection, Respondents' March 8 letter responded to Question 22. NL does not have any additional information.

23. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, and list separately by company, all release, or threats of release of any hazardous materials at or from the Site or at or from any part of Ottawa County during the time in which the companies had property interest(s) in the Site or in Ottawa County. Include, and identify by letter, the following information in each description: (a) the dates when such releases occurred or threatened to occur; (b) a description of how the releases occurred or threatened to occur; (c) a list of hazardous materials which were released or which posed a threat of release; (d) the amounts of each hazardous material released or which posed a threat of release; (e) specific locations of releases or threatened releases; (f) any activities undertaken in response to each release or threatened release; (g) a description of the results of nay investigations of the circumstances, nature, extent or location of each release or threatened release, including but not limited to, the results of any soil, sediment, water (ground water and surface water), or air testing that was undertaken; and (h) the names of all persons with any of the information which you provide in response to this question.

NL objects to Question 23 to the extent that it assumes that NL caused releases or threatened releases of hazardous materials at or from the Site or at or from Ottawa County. Subject to this objection, Respondents' March 8 letter responded to Question 23. NL does not have any additional information.

24. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, and list separately by company, all solid waste (including chat material, tailings pond sediment, and waste rock) generated, treated, stored, or disposed of at the Site and any where else in Ottawa County during the time in which each respective company had property interest(s) in the Site and anywhere else in Ottawa County. Include, and identify by letter, the following information in each description: (a) the date when the solid waste was generated, treated, stored, or disposed of at the Site and anywhere else in Ottawa County; (b) a description of the manner in which the solid waste was generated, treated, stored, or disposed of at the

Site and anywhere else in Ottawa County; (c) a list of solid wastes which were generated, treated, stored, or disposed of at the Site and anywhere else in Ottawa County; (d) the amounts of each solid waste generated, treated, stored, or disposed of at the Site and anywhere else in Ottawa County; (e) specific locations of the areas where solid waste was generated, treated, stored, or disposed of at the Site and anywhere else in Ottawa County; (f) a description of the results of any investigations or the circumstances, nature, or location of the solid waste generated, treated, stored, or disposed of at the Site and anywhere else in Ottawa County, including but not limited to, the results of any soil, sediment, water (ground water and surface water), or air testing that was undertaken; and (g) the names of all persons with any of the information which you provide in response to this question.

NL objects to Question 24 to the extent that it assumes that NL generated, treated, stored or disposed of solid waste at the Site or anywhere else in Ottawa County. Subject to this objection, Respondents' March 8 letter responded to Question 24. NL does not have any additional information.

25. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, and list separately by company, all mine dewatering activities undertaken at the Site and anywhere else in Ottawa County by the individual companies, or by the individual companies in association with any other companies. Include, and identify by letter, the following information in each description: (a) the dates when the mine dewatering activities occurred; (b) a description of the mine dewatering activities; (c) a characterization of the water quality (including, but not limited to the following parameters: pH and concentrations of lead, cadmium, zinc, iron and other metals) of the water removed from the mines; (d) the amounts of water removed from the mines; (e) specific locations of the areas where water removed from the mines was discharged, treated, stored, or disposed of at the Site and anywhere else in Ottawa County; (f) a description of the results of any investigations of the circumstances, nature, or location of the mine water removed from the mines, and treated, stored, or disposed of at the Site and anywhere else in Ottawa County, including, but not limited to, the results of any ground water and surface water testing or measurements that were undertaken; and (g) the names of all persons with any of the information which you provide in response to this question.

Respondents' March 8 letter responded to Question 25. NL does not have any additional information.

26. For each of the companies listed in question 11 or in your response to questions 8 or 9, describe, and list separately by company, all ore or ore concentrates (including, but not limited to, crude ore, zinc concentrate, and lead concentrate) produced at the

Site and anywhere else in Ottawa County by each company respectively. Include, and identify by letter, the following information in each description: (a) the dates when the ore or ore concentrate was produced; (b) a description of how the ore or ore concentrate was produced; (c) a list of the types of ore or ore concentrates which were produced; (d) the amounts of each type of ore or ore concentrate produced; (e) specific locations (identify the name of mine if known) of the areas where the ore or ore concentrate was produced; (f) the respective amounts (expressed in tons) of crude ore, zinc concentrate, or lead concentrate produced at the Site and anywhere else in Ottawa County; (g) a description of the results of any investigations of ore production at the Site any anywhere else in Ottawa County; and (h) the names of all persons with any of the information which you provide in response to this question.

Respondents' March 8 letter responded to Question 26. NL does not have any additional information.

27. Describe the acts or omissions of any persons, other than your employees, agents or those persons with whom you had a contractual relationship, that may have caused hazardous substances to be placed on the Site and anywhere else in Ottawa County.

NL is not aware of any acts or omissions of any persons, other than as described in information already provided to U.S. EPA, that may have caused hazardous substances to be placed on the Site and anywhere else in Ottawa County.

28. Describe the acts or omissions of any person, other than your employees, agents or those persons with whom you had a contractual relationship, that may have caused solid waste to be placed on the Site and anywhere else in Ottawa County.

NL is not aware of any acts or omissions of any persons, other than as described in information already provided to U.S. EPA, that may have caused solid waste to be placed on the Site and anywhere else in Ottawa County.

29. Identify all persons, including Respondent, who may have arranged for disposal or treatment or arranged for transportation for disposal or treatment of waste materials, including without limitation hazardous materials, at the Site or to the Site and at or to anywhere else in Ottawa County. Describe the arrangement(s) and the waste materials involved.

Other than as described in information already provided to U.S. EPA, NL is not aware of any persons who may have arranged for disposal or treatment or arranged for

transportation for disposal or treatment of waste materials at the Site or to the Site and at or to anywhere else in Ottawa County.

30. Provide EPA with a copy of the Articles of Incorporation and By-Laws of the companies listed in question 11.

See Attachment 3.

31. Describe Asarco, Inc.'s activity at the Site and everywhere else in Ottawa County.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 31.

32. Identify any documents which mention Asarco, Inc.'s waste disposal practices at the Site and everywhere else in Ottawa County, indicate the location of the mention, and provide EPA with copies.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 32.

33. Describe Blue Tee Corporation's activity at the Site and everywhere else in Ottawa County.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 33.

34. Identify any documents which mention Blue Tee Corporation's waste disposal practices at the Site and everywhere else in Ottawa County, indicate the location of the mention, and provide EPA with copies.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 34.

35. Describe Childress Royalty Company's activity at the Site and everywhere else in Ottawa County.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 35.

36. Identify any documents which mention Childress Royalty Company's waste disposal practices at the Site and everywhere else in Ottawa County, indicate the location of the mention, and provide EPA with copies.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 36.

37. Describe the Doe Run Resources Corporation's activity at the Site and everywhere else in Ottawa County.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 37.

38. Identify any documents which mention the Doe Run Resources Corporation's waste disposal practices at the Site and everywhere else in Ottawa County, indicate the location of the mention, and provide EPA with copies.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 38.

39. Describe Gold Field Mining Corporation's activity at the Site and everywhere else in Ottawa County.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 39.

40. Identify any documents which mention Gold Fields Mining Corporation's waste disposal practices at the Site and everywhere else in Ottawa County, indicate the location of the mention, and provide EPA with copies.

Other than information already possessed by U.S. EPA, NL has no information responsive to Question 40.

41. Describe NL Industries, Inc.'s activity at the Site and everywhere else in Ottawa County.

See Attachment 4. Other than information already possessed by U.S. EPA, NL has no information responsive to Question 41.

42. Identify any documents which mention NL Industries, Inc.'s waste disposal practices at the Site and everywhere else in Ottawa County, indicate the location of the mention, and provide EPA with copies.

See Attachment 4. Other than information already possessed by U.S. EPA, NL has no information responsive to Question 42.

43. Identify all persons who may be responsible for the liabilities of Respondent arising from or relating to the release or threatened release of hazardous substances at the Site and anywhere else in Ottawa County, including but not limited to successors, parents, subsidiaries, and individuals.

NL states that its insurance carriers may be liable for any liability imposed on NL. See Attachment 6 for a list of NL's insurance carriers. Other than information already possessed by U.S. EPA, NL has no other information responsive to Question 43.

Sincerely,

Barry L. Sams
Principal Environmental Engineer

cc: L. Esayian
M. Martin

attachments

ATTACHMENT 2

Capital Stock: 1. **National Candy Co., Inc. 7% cum. first preferred:** Authorized, $1,000,000; outstanding, $[illegible]00,000; par $100. Has first preference as to assets and 7% cumulative dividends. Not callable. First and second preferred have full voting power. Regular dividends paid quarterly, Jan. 1, etc., to stock of record, Dec. 12, etc.

2. **National Candy Co., Inc. 7% cum. second preferred:** Authorized, $2,000,000; outstanding, $1,131,100; in treasury, $568,200; par $100. Has second preference as to assets and 7% cumulative dividends. Not callable. First and second preferred have full voting power. Regular dividends paid quarterly, Jan. 1, etc., to stock of record, Dec. 12, etc.

3. **National Candy Co., Inc. common:** Authorized, 240,000 shares; outstanding, 211,780 shares; in treasury, 28,220 shares; no par (changed from $100, Oct. 7, 1927, four no par shares issued for each $100 share). Has one-quarter vote per share. Dividends paid on $100 par shares: 1% each March 15 and Sept. 15, 1910, and March 15, 1911; none thereafter to March, 1917; when 1½% was paid; Sept., 1917, 1½%; 1918, 5%; 1919, 5½%; 1920 and 1921, 8% per annum; 1922 and 1923, 5%; 1924, 6%; 1925 and 1926, 7%; March 16 and Sept. 7, 1927, 3½% each. Paid extra dividends of 7½% in 1919; March and Sept., 1920, 5% each. Paid initial dividend of 43¾ cents on no par stock Nov. 1, 1927; Jan., 1928, 43¾ cents and quarterly thereafter to Jan. 1, 1930, incl.; Apr. 1, 1930, 50 cents. Dividends payable quarterly, Jan. 1, etc., to stock of record Dec. 12, etc.

Transfer Agent: Franklin-American Trust Co. St. Louis, Mo. Registrar: Mississippi Valley Trust Co., St. Louis, Mo. All classes listed on St. Louis Stock Exchange and common quoted in New York. Number of stockholders, Dec. 31, 1929, 1st pref., 341; 2nd pref., 220; common, 1,273.

PRICE RANGE:	1928	1927	1926	1925	1924	1923
1st pfd....	109½-104	120 -108	112-107	110-106½	110-107	109 -105	109 -106
2nd pfd....	94½- 94	105 - 98	107-100	104-100	107-103	106 - 99½	101½- 96
Common ..	34½- 18	23¼- 17	*23- 21⅝	92- 70	106- 88	107¼- 80	93 - 73⅝

NATIONAL LEAD COMPANY

History: Incorporated under the laws of New Jersey, December 7, 1891. In 1906 control of the United Lead Company was acquired, and early in 1907, practically all the $1,500,000 8% preferred and $1,500,000 common stock of the Magnus Metal Co. was acquired. In March, 1910, acquired an interest in the United States Cartridge Co., of Lowell, Mass., consumer of lead and manufacturer of fixed ammunition. Owns entire capital stock of Carter White Lead Co., of Chicago and Omaha. As of July 1, 1912, acquired entire capital stock of the Matheson Lead Co., which was subsequently dissolved. In addition to its numerous manufacturing plants the company maintains offices at the following places: Detroit, Kansas City, Mo., Louisville, Milwaukee, Nashville, Tenn., New Orleans, Omaha, St. Paul and at Charleston. In addition The National Lead Co. of California maintains branches at Los Angeles, Portland, and Seattle. Branches located as follows: Atlantic branch, New York, N. Y.; Baltimore, Buffalo, Cleveland, Cincinnati, Chicago, St. Louis; John T. Lewis & Bros.' Co., Philadelphia; E. W. Blatchford Co., Chicago; E. W. Blatchford Co., New York; St. Louis Smelting & Refining Works, St. Louis, Mo.; National Lead & Oil Co. of Pa., Pittsburg; National-Boston Lead Co., Boston; National Lead Co. of Cal., San Francisco, and National Lead Co. of Argentine, Buenos Aires. In 1919, purchased the plant of Hirst & Begley Linseed Co., of Illinois, at Chicago, manufacturers of linseed oil. In 1920, the company acquired entire ownership of the U. S. Cartridge Co., manufacturers of shells and ammunition, and precision machinery and tools, and in 1926 sold machinery and equipment of this company. In January, 1921, the company purchased one-half of the outstanding capital stock of the Titanium Pigment Co., Inc., Niagara Falls, N. Y. Manufactures virtually all products of pig lead, including white lead, oxides, and kindred products; also linseed oil, linseed oil cake and meal, and smelts and refines lead. Company has an interest in the Patino Mines & Enterprises Consolidated, Inc. (which see), formed in July, 1924 to acquire Bolivian properties of the Estañifera de Llallagua. In Apr., 1925 purchased plant and business of Metallurgical & Chemical Corp. with works at Matawan, N. J.

In 1927 company exercised its option to purchase the Titan Co. of Norway. Company also concluded an agreement with Die Interessengemeinschaft Farbenindustrie Aktiengesellschaft to manufacture and market in Germany and Central Europe titanium pigments from the Norwegian ores. I. G. Farbenindustrie A. G. and the company each own an interest in Titanigesellschaft M. B. H. which has built a plant for the manufacture of titanium pigments at Leverkusen, near Cologne, Germany. Acquired a substantial interest during 1927 in the Newton Die Casting Corp., of New Haven, Conn. Number of employees, Dec. 31, 1929 (including all wholly-owned subsidiaries), 7,000.

Subsidiaries: Corporations in which National Lead Co. is interested through ownership of all or part of the capital stock:

ASSOCIATED LEAD MANUFACTURERS, LTD.; England; National Lead owns 20% of stock.

BAKER CASTOR OIL CO., New York, manufacturers of castor oil.

CARTER WHITE LEAD CO., Chicago and Omaha, white lead corroders.

CINCH EXPANSION BOLT & ENGINEERING CO., New York, manufacturers of expansion bolts.

GEORGIA LEAD CO., Atlanta, Ga., manufacturers of sheet lead, pipe and alloys.

MIDWEST CARBIDE CO., Keokuk, Iowa.

MAGNUS COMPANY, INC., New York, brass founders.

NATIONAL LEAD CO. OF CANADA, LTD.: Company controls Canada Metal Co., Ltd., Hoyt metal Co. of Canada and Robertson Lead Mfg. Co.

NATIONAL LEAD CO. OF CAL.; San Francisco Cal. (successor to Bass-Hueter Paint Co.), manufacturers of white lead oxides; also mixed paints, varnishes, and paint specialties

NATIONAL PIGMENTS & CHEMICAL CO., St. Louis, miners and manufacturers of barytes.

NEWTON DIE CASTING CORP., New Haven, Conn., manufacturers of pressure die casting.

ST. LOUIS SMELTING & REFINING CO., St. Louis, miners, smelters and refiners of lead.

SOCIETE INDUSTRIELLE DU TITANE, Paris, France, manufacturers and distributors of titanium oxide pigments.

TITAN CO., INC. Incorporated in Delaware in 1929 as a holding company. National Lead Co. owns 87% of stock. Titan Co., Inc. acquired the holdings of National Lead Co. in Titangesellaschaft m. b. H., of Germany. The Societé Industriel du Titane of France, and the patents for the manufacture of Titanium products formerly held by Titan Co. A/S of Norway.

[illegible] Co. A/S, Fredrikastad, Norway, [illegible]facturers of titanium oxide pig-

PIGMENT CO., INC., New York, [illegible]turers of titanium oxide pig-

[illegible]ATES CARTRIDGE CO., New York, [illegible]acturers of metallic and sporting [illegible]munition.

WILLIAMS HARVEY CORP., New York, smelters and refiners of tin.

Products: National Lead Co. either directly or through its subsidiaries manufactures the following products:

PAINTERS' MATERIALS: White lead, dry and in oil; red lead, dry and in oil; flatting oil; colors, dry and in oil; linseed oil, American and Calcutta, raw, boiled, refined varnishmakers'.

BEARING METALS: Babbitt metals, frary metal, pressure die castings.

PLUMBERS' MATERIALS: Lead pipe, block tin pipe, tin-lined pipe, soldering flux, leadamant pipe, lead traps and bends, solder.

PRINTERS' METALS: Linotype metal, monotype metal, stereotype metal, electrotype metal.

CANNERS' MATERIALS: Bar solder, wire solder, soldering flux, ribbon solder, triangular solder.

LEAD OXIDES: Red lead, litharge, orange mineral, glassmakers' oxides, colormakers' oxides, rubbermakers' oxides, varnishmakers' oxides, enamelmakers' oxides, potters' oxides, storage battery oxides.

MISCELLANEOUS LEAD PRODUCTS: Sheet lead, glaziers' lead, bar lead, Antimonial lead products, lead lined valves, lead for architectural purposes, lead wool, lead wire, lead sash weights, Piano key leads, cinch expansion bolts.

GENERAL PRODUCTS: Brown sugar of lead, white sugar of lead, linseed oil cake and meal, castor oil.

Management: OFFICERS: Edw. J. Cornish, Pres. and Chairman, New York; G. O. Carpenter, Vice-Pres., St. Louis; E. F. Beale, Vice-Pres., Philadelphia, Pa.; Evans McCarty, F. M. Carter, W. C. Beschorman, Vice-Pres.; M. D. Cole, Sec.; Charles Simon, Treas.; Henry O. Bates, Asst. Sec.; H. T. Warshow, Compt.; H. W. Dickerson, H. O. Bates, Asst. Compt.; Alexander & Green, General Counsel, New York. DIRECTORS: E. J. Cornish, New York; E. F. Beale, Philadelphia; G. O. Carpenter, J. A. Caselton, St. Louis; W. H. Croft, C. E. Field, Chicago; Gustave W. Thompson, Brooklyn; G. D. Dorsey, St. Petersburg, Fla.; W. N. Taylor, Pittsburgh; Evans McCarty, W. C. Beschorman, F. M. Carter, New York; A. H. Brodrick, Newton, Mass.; H. G. Sidford, Maplewood, N. J.; F. W. Rockwell, Greenwich, Conn. ANNUAL MEETING: Third Thursday in April, at Jersey City. MAIN OFFICE: 111 Broadway, New York. CORPORATE OFFICE: 15 Exchange Place, Jersey City, N. J.

NL INDUSTRIES, INC.

CAPITAL STRUCTURE

LONG TERM DEBT

Issue	Rating	Amount Outstanding	Times Charges Earned 1982	1981	Interest Dates	Call Price	Price Range 1982	1981
1. Debenture 7½s, 1995	A 1	$44,498,000			J & D 15	[2]102.00	71½ - 54¼	65 - 51⅝
2. Debenture 9⅝s, 2000	A 1	100,501,000			J & J 1	[2]105.375	79½ - 64	76 - 61
3. One-year extend. notes, 1987	A1	100,000,000			F & A 15	[7].....	100 - 99½	.....
4. Nat'l Lead subord. deb., 4⅜s, 1988	A2	8,978,000	[4]5.26	[4]8.74	A & O 1	[2]100.75	71⅛ - 56⅛	66 - 56
5. Subsidiary debt	....	19,428,000			.....	.....	.....	.....
6. Other debt	....	49,523,000			.....	.....	.....	.....
7. Commercial paper	....	232,025,000			.....	.....	.....	.....

CAPITAL STOCK

Issue	Par Value	Amount Outstanding	Earned per Sh. 1982	1981	Divs. per Sh. 1982	1981	Call Price	Price Range 1982	1981
1. 8⅛% cumulative preferred	$100	450,000 shs.	[3]....	[3]....	[3]....	[3]....	[3].....	[3].....	[3].....
2. Common	1.25	61,766,792 shs.	[1]$3.12	[1]$4.61	$1.00	[5]$1.00	.....	39¾ - 14¼	[6]48⅝ - 31

[1]Based on average shares as reported by Co. on continuing oper. [2]Subject to change, see text. [3]Privately placed. [4]Based on income from continuing operations. [5]Includes $0.35 paid prior to 2-for-1 split. [6]After 2-for-1 split; before, 81½-41¼. [7]See text.

HISTORY

Incorporated in New Jersey, Dec. 8, 1891 as National Lead Co. to acquire the properties and business of various manufacturers of white lead and oxides of lead and one lead mining and smelting company, paying therefor 149,040 shares of 7% cumulative class A preferred and 149,054 shares of common, both of $100 par value. Present name adopted Apr. 15, 1971.

For acquisitions, mergers, etc., prior to 1955, see Moody's 1969 Industrial Manual.

Early in 1955 acquired Southern Screw Co. manufacturer of wood and steel screws with plant at Statesville, N.C. Also acquired Anchor Screw Products Co. with a warehouse in Los Angeles.

On Apr. 6, 1959, issued 30,000 common shares in acquisition of net assets of Goldsmith Bros. Smelting & Refining Co., processor of precious metals and allied products with principal plant in Chicago; now operated as a division until early 1974 when operations were discontinued.

In May, 1961, acquired majority interest in Metal Castings Ltd., Worcester, England, producer of aluminum and zinc die castings.

In 1962, acquired stock of Floating Floors Inc. (manufacturer and seller of die-cast elevated floors and flooring systems) and formed subsidiaries (Kronos Titanium Pigments Ltd.) in England and in Belgium (Chas. Taylor Sons, S.A.).

In 1964, acquired American Tansul Co., and purchased 93% interest in Schraubenfabrik Neustadt Goetz & Cie. G.m.b.H., Neustadt, West Germany.

In 1965, company sold 50% of its interest in Canada Metal Co., Ltd. to Cominco Ltd.

In Aug. 1967, acquired Amos-Thompson Corp. in exchange for 365,752 common shares.

In Feb. 1968 acquired assets of Cochrane Foundry, Inc., York, Pa., producer of aluminum, bronze and brass castings through exchange of stock.

In July 1968 acquired Bunting Brass & Bronze Co., Toledo, O., manufacturer of bronze bushings, bars and special parts.

In Sept. 1968 acquired Synrox, Inc., maker of specialty refractories for manufacture of stainless, alloy and carbon steel.

In Oct. 1968 acquired Edgar Plastic Kaolin Co., Inc., Edgar, Fla., producer of kaolin clay which is used by ceramic industry for about 28,000 common shares.

In Jan. 1969 acquired 99% of outstanding shares of Lake View Trust & Savings Bank of Chicago (see Moody's Bank & Finance Manual) for $38,000,000 cash.

In Apr. 1969 agreed to acquire certain assets and assume certain liabilities of McCullough Tool Co. of Houston and Los Angeles for about $7,500,000. McCullough provides complete wire line services in oil fields of U.S. and Canada.

In Sept., 1969, acquired Jonathan Manufacturing Co. (Cal.) for about 136,000 company common shares and cash. Jonathan and subsidiaries produce aluminum and steel precision parts, and provide metal finishing services primarily for the electronic and aerospace industries.

In Feb., 1970, stockholders of Baker Castor Oil Co. (N.J.), a subsidiary, approved National's acquisition of remaining 29% outstanding shares. Transaction is subject to favorable tax ruling.

In June 1970 acquired Regal Molds Inc., Toledo, O., tool & die shop for 7,825 Co. com. shs.

In 1971, acquired remaining outstanding stock of Morris P. Kirk & Son Inc. and outstanding preferred stock of National Lead Co., S.A. (Company owns all outstanding common stock.)

Also during 1971, Company sold French and Australian manufacturing subsidiaries of Hoyt Metal Co. of Great Britain Ltd. its investments in Colver S.p.A. and Aluminum Match Plate Corp.

In Nov. 1972, acquired Nuclear Radiopharmaceutical Corp. and Reactor Laboratories, Inc. from Cambridge Nuclear Corp., for $3,500,000.

In 1972 acquired Bell Clay Co. thru an exchange of 64,646 of Co. treasury shares.

Effective Jan. 1, 1973, combined Barber Die Casting Co., Ltd. and Lakeshore Die Casting Co. Ltd. to form Doehler Canada Ltd.

In 1973 acquired Triangle Service, Inc. thru an issuance of 85,000 Co. treasury shs.

In 1974 acquired Wilson-Snead Mining Company Inc. thru an issuance of 33,000 Co. treasury shs.

On Mar. 25, 1976, sold Lake View Trust and Savings Bank for $29,500,000 in cash and $10,000,000 in 10 yr. notes.

In Dec. 1976, sold Dutch Boy Paints Division to ELT, Inc.

On Jan. 18, 1977, merged Rucker Co. in exchange for 8,187,366 Co. common shares.

In Sept. 1977 acquired Ashton Supply Co., Inc. in exchange for 29,884 Co. com. shs.

In Mar. 1978 acquired Stewart & Stevenson Oiltools Inc. for $31,000,000 in cash plus assumption of $8,000,000 in liabilities.

In May 1978 sold Metal Castings Doehler Ltd. to Lesney Products & Co.

In Dec. 1978, acquired oil well servicing business of Texas International for $101,000,000 in cash and petroleum products and services.

In Jan. 1979, sold Pioneer Aluminum, Inc. for $12,000,000.

During 1979 acquired Basin Survey's Inc. and Petro-Log Inc. for 379,669 com. shs. and $3,250,000 cash.

In 1979 sold its remaining recycled lead facilities to various purchasers.

In Nov. 1979 sold three Argentine subsidiaries, National Lead S.A.; Industrias Deriplom, S.A. and Corinda, S.A. to an Argentine investor.

In Nov. 1979, sold Titanium Alloy Manufacturing Co., an Australian subsidiary to Utah Mining Australia Ltd. for $19,000,000.

In 1980, sold NL Magnesium for approx. $60,000,000.

In Apr. 1981, acquired Sperry-Sun, Inc. for $252,340,000 in cash.

In Nov. 1982, sold its Metals division to Farley Metals, Inc.

Joint Venture: In May 1977, Co. formed a joint venture oil industry tubular products manufacturing company in Japan with Teijin Ltd., Tokyo. Co. said it has a 51% interest in the $10,000,000 firm, with Teijin holding the other 49%.

SUBSIDIARIES AND AFFILIATES

Functions as both an operating and a holding company owning 100% (except as noted) of the voting control of the following:

NL Acme Tool
NL Atlas Bradford
NL Baroid
NL Logging Systems
NL McCullough
NL Reamco
NL Rucker Products
NL Shaffer
NL Sperry-Sun
NL Treating Chemicals
NL Well Service
American Thai Barite Ltd.
Atlantic Minerals and Products Corp.
Baroid Australia Pty., Ltd. (90%)
Baroid of Canada, Ltd.
Baroid Drilling Chemicals Products, Ltd. (60%)
Baroid France S.A.
Baroid International, S.p.A.
Baroid Minera Bolivia Limitada
Baroid of Nigeria, Ltd. (60%)
Baroid Pigmina Industriale Commercial, S.A.
Baroid de Venezuela, S.A. (92%)
NL-Baroid Minerals, Inc. (80%)
NL-Baroid (Cameroon) S.A.R.L.
NL Overseas Service Corp. (England)
NL Petroleum Services (Far East), Ltd. (Singapore)
NL Petroleum Services (U.K.) Ltd.
NL Rucker Products, Ltd.
Norsk Petroleum Services A/S (Norway)
Perubar, S.A. (Peru) (67%)
NL-Teijin Co., Ltd. (Japan) (51%)
NL International Inc. (Tex.)
Russell Attitude Systems Ltd. (England)
Abu Dhabi Drilling Chemicals and Products, Ltd. (United Arab Emirates) (25%)
Baroid Caribbean, Ltd. (Cayman Islands) (50%)
Baroid (Saudi Arabia), Ltd. (Saudi Arabia) (40%)
Baroid Trinidad Services, Ltd. (Trinidad, West Indies) (50%)
Budin Barit Kimya Sanayi A.S. (Turkey) (40%)
CeBo N.V., Curacao (Netherlands Antilles) (50%)
Libyan Baroid Co., Ltd. (Libya) (49%)
P.T. Baroid Indonesia (West Java) (49%)
Thai Endeavor, Ltd. (Thailand) (49%)
NL Chemicals
Abbey Chemicals Limited (Scotland) (70%)
Bentone-Chemie GmbH (West Germany) (70%)
Kronos Titan A/S (Norway)
Kronos Titan GmbH (West Germany)
NL CHEM Canada, Inc. (Canada)
NL Chemicals Europe, Inc. (Belgium)
NL Chemicals S.A./N.V. (Belgium)
NL Chemicals UK, Limited (United Kingdom)
Societe Industrielle du Titane, SA (France) (98%)
Titania A/S (Norway)
NLO, Inc. (Ohio)
Titanium Metals Corporation of America (50%)
Timet Division, Pittsburgh, Pennsylvania
Standard Steel Division, Burnham, Pennsylvania

BUSINESS & PRODUCTS

Company and its consolidated subsidiaries produce a broad line of products and services which are grouped into two major product areas—petroleum services and chemicals. These products and services are used by many industries, including aerospace, automotive, chemical, construction, furniture, natural gas, paint, petroleum, plastics, rubber and transportation industries.

Company's principal products are as follows:

Petroleum Services: Co. supplies a wide range of products services and equipment for use by oil and gas exploration and development industries in drilling, well workover and completion operations both on land and offshore. With the acquisition of Sperry-Sun, Inc., NL has also moved into the large and rapidly growing directional drilling market. Products and services include drilling mud, mud logging, well workover fluids, applied drilling technology, diamond drill bits, diamond coring tools, shock absorbing tools, equipment rental, fishing tools and services, well logging, perforating and cutting, well workover, maintenance and completion services and treating chemicals. Equipment supplied by Co. includes blowout preventers, control units for blowout preventers and for other subsea equipment, automatic drilling controls, offshore motion compensators, marine risers, drilling valves and manifolds, mud processing equipment, premium tubing connections, premium casing connections and premium threading. Co. also supplies hydraulic components manufactured by third parties for petroleum exploration vehicles and other equipment.

Chemicals: Produces and supplies specialty pigments, rheological agents, castor oil derivatives and chemical specialties for use by plastic, paint, ink, grease, pharmaceutical industries.

Company is a leading producer of titanium pigments which are used primarily by the paint, paper and plastics industries. Sold under "Titanox" and "Kronos" trademarks, the pigments impart whitening, brightening and opacifying power to many products. Co. also is engaged in the mining of ilmenite ores.

Other: NL's wholly-owned subsidiary, NLO, Inc., is the contract operator for the U.S. Department of Energy of the uranium ore concentration plant at Fernald, Ohio.

Through a 50%-owned affiliate, NL produces titanium metal sponge, ingot and mill products for aerospace and industrial applications, and specialty steels, wheels, axles and elliptic rings for transportation and industrial uses.

Dollar Sales of Products (In millions):

	1982	1981	[1]1980
Petroleum Group	1,736.8	1,899.1	1,259.8
Chemical Group	476.7	564.7	551.7
Total	2,213.5	2,463.8	1,811.5

[1]Restated to reflect reclassification of results of disc. oper.

PRINCIPAL PLANTS AND PROPERTIES

Chemicals Group

Bayonne, N.J.
Charleston, W.Va.
Varennes, Quebec
Langerbrugge-Ghent, Belgium
Fredrikstad, Norway
Leverkusen, West Germany
Nordenham, West Germany
Livingston, Scotland
Sayreville, N.J.
Paris, France
Fernald, Ohio

Petroleum Group

Houston, Tex.
Broussard, La.
Bogota, Colombia
Bangkok, Thailand
Calgary, Canada
Rome, Italy
Lagos, Nigeria
London, England
Salvador, Brazil
Singapore, R.S.
Brussels, Belgium
Billere, France
British Columbia, Canada
Sao Paulo, Brazil
Perth, Australia
Maracaibo, Venezuela
Trinidad, West Indies
Curacao, Netherlands, Antilles
Benghazi, Libya
Merak, West Java
Langesund, Norway
Iwakuni, Japan
Lima, Peru
La Paz, Bolivia

1982 Capital Expenditures amounted to $306,148,000 ($293,924,000).

MANAGEMENT

Officers

R.C. Adam, Chmn.
T.C. Rogers, Pres. & Chief Exec. Off.
~~MacDonnell Roehm, Jr., Exec. Vice-Pres.~~ resigned
F.W. Montanari, Exec. Vice-Pres.—Chem.
R.J. Hurley, Vice-Pres. & Gen. Counsel
R.E. Brooker, Jr., Vice-Pres.
~~Wm. Parker, Vice-Pres.~~
W.F. Schultz, Vice-Pres., Operations & Services
M.L. Moore, Vice-Pres.—Empl. Rel.
W.H. Welch, Vice-Pres.
Jean-Pierre De Vleeschouwer, Vice-Pres.
J.R. Slowik, Vice-Pres.
S.R. Erikson, Vice-Pres.
Ilan Kaufthal, Vice-Pres.—Fin.
J.T. Rafferty, Sec.
J.H. Watt, Treas.
C.J. Christenson, Asst. Treas.
W.P. Newhall, II, Asst. Treas.
J.M. Harrington, Asst. Treas.
D.P. Kenney, Asst. Treas.
J.V. Janny, Asst. Contr.
G.A. Paulson, Asst. Contr.

Directors

(Showing Principle Corporate Affiliations)

Ray C. Adam, Chairman of the Board, NL Industries, Inc.

Nicholas F. Brady, Chairman and Managing Director, Dillon Read & Co., Inc.

Maurice F. Granville, Former Chairman and Chief Exec. Off., Texaco Inc.

J. Paul Lyet, Former Chairman and Chief Executive Officer, The Sperry Corp.

William A. Marquard, Chairman and Chief Executive Officer, American Standard Inc.

Richard M. Paget, President, Cresap, McCormick and Paget.

T.C. Rodgers, President & Chief Executive Off., NL Industries, Inc.

Herman J. Schmidt, Former Vice-Chairman, Mobil Oil Corp.

Robert G. Schwartz, Vice-Chairman, Metropolitan Life Insurance Co.

Jack B. St. Clair, President, St. Consultants, Inc.

Morris H. Wright, Advisory Director, Lehman Brothers Kuhn Loeb Inc.

Breed Abbott

Auditors: Coopers & Lybrand.

Shareholder Relations: Joseph M. Garrison, Dir., Investor Relations. Tel.: (212)621-9479.

Annual Meeting: Fourth Wednesday in Apr.

No. of Stockholders: Dec. 31, 1982 (common), 49,125.

No. of Employees: Dec. 31, 1982, (approx.) 6,800.

General Office: 1230 Avenue of the Americas, New York, NY 10020. Tel.: (212)621-9400.

INCOME ACCOUNTS

COMPARATIVE CONSOLIDATED INCOME ACCOUNT, YEARS ENDED DEC. 31

(in thousands of dollars)

	1982	1981	[1]1980	[1]1979
Net sales	2,213,520	2,463,828	1,811,497	1,465,404
Equity in partially-owned cos.	33,718	51,034	33,443	16,855
Other income (loss)	(8,207)	21,802	(3,673)	(623)
	2,239,031	2,536,664	1,841,267	1,481,636
Cost of goods sold	1,419,837	1,469,058	1,132,851	940,787
Selling, gen. and admins.	462,660	491,786	415,291	338,596
Interest	66,799	65,177	41,947	48,858
Minority interest	5,187	6,174	4,565	2,869
Inc. from continu. oper. bef. inc. taxes	284,548	504,469	246,613	150,526
Provision for inc. taxes	81,652	194,243	88,219	56,888
Discontinued operations	cr4,407	cr5,757	cr9,279	dr7,952
(Loss) from disposal of discont. oper.	(18,519)	.....	.....	.....
Inc. bef. com. eff. of acct. chg.	188,784	315,983	167,673	85,686
Cum. eff. of acct. chg.	.....	.....	.....	[2]cr26,257
Net income	188,784	315,983	167,673	111,943
Retained earnings, beg. of year	1,018,682	761,814	641,447	573,224
Common dividends	63,553	54,802	42,993	39,407
Preferred dividends	4,313	4,313	4,313	4,313
Retained earnings, end of year	1,139,600	1,018,682	761,814	641,447

[1] Restated to reflect "Discontinued Operations" in 1981. See General note (e) below.
[2] Cum. effect of change in 1979 of method of accounting for investment tax credit from deferral to flow-through method. Equal to $0.40 per com. sh.

Consolidated Statement of Changes in Financial Position, years ended Dec. 31 (in $000):

	1982	1981
Source of funds:		
Inc. from contin. oper.	202,896	310,226
Deprec. and amort.	134,585	98,401
Def. inc. taxes	61,697	15,939
Equ. in inc. of partially-owned cos.	(29,597)	21,000
Minority int. in inc. of maj. owned cos.	973	3,259
Funds prov. from contin. opera.	370,554	448,825
Dispos. of fixed assets	34,216	23,647
Lg.-tm. borrs.	58,629	195,560
Invest., net	11,615	(2,452)
Proc. from issu. of com. stk.	3,876	3,896
Discontinued operations:		
Proceeds from sale	102,658	6,381
Other (loss on sale, cap. expend., deprec., def. tax., etc.)	(20,909)	4,182
Total	560,639	680,039
Application of funds:		
Acquisitions:		
Prop., plant & equip. (net)	.....	49,653
Intang. and other non-curr. assets	.....	191,728
	.....	241,381
Com. stk.	63,553	54,802
Prefer. stk.	4,313	4,313
Capital expend.	306,148	293,924
Retire. of pfd. stk.	5,000	.....
Purch. of com. stk. for treas.	108,589	.....
Decr. in wkg. cap. fr. transl. adj.	20,747	.....
Other	17,694	10,269
	526,044	604,689
Incr. in work. cap.	34,595	75,350

BALANCE SHEETS

COMPARATIVE CONSOLIDATED BALANCE SHEET, AS OF DEC. 31

(Taken from reports to Securities and Exchange Commission)

(in thousands of dollars)

ASSETS	1982	1981	[3]1980
Cash & equivalents	52,185	26,732	27,375
[1]Notes & accounts receivable	403,328	459,877	370,735
[2]Inventories	361,993	393,758	337,474
Prepaid expenses	9,501	12,469	9,770
Total current assets	827,007	892,836	745,354
Inv. & adv. to partially-own. companies & other invest.	170,506	124,151	142,699
[4]Property, plant & equipment	1,572,754	1,361,579	1,036,995
[5]Less: Deprec. & depletion reserve	528,406	465,728	381,852
Net property account	1,044,348	895,851	655,143
Other assets	232,264	240,480	58,375
Net assets of disc. oper.	9,504	145,152	147,776
Total	2,283,629	2,298,470	1,749,347
LIABILITIES			
Notes payable	25,427	32,158	77,294
Accounts payable	110,120	119,096	96,599
Other current liabilities	162,224	208,727	153,725
Income taxes	69,735	107,949	68,180
Total current liabilities	367,506	467,931	395,798
Bonds payable	554,953	498,979	303,419
Other noncurrent liab.	20,942	21,654	22,367
Deferred income tax	130,502	80,852	62,731
Minority interest	13,889	15,251	11,992
Preferred stock ($100 par)	45,000	50,000	50,000
Common stock ($2.50 par)	83,325	83,068	82,836

Capital Stock: [illegible]
$1,000,000; par $100. Has first preference as to assets and 7% cumulative dividends. [illegible] preferred have full voting power. Regul[illegible]ividends paid quarterly, Jan. 1, etc., to stock of record, Dec. 12, etc.

2. **National Candy Co., Inc. 7% cum. second preferred:** Authorized, $2,000[illegible]; outstanding, $1,131,100; in treasury, $568,200; par $100. Has second preference as to assets and 7% cumulative dividends. Not callable. First and second preferred have full voting power. Regular dividends paid quarterly, Jan. 1, etc., to stock of record, Dec. 12, etc.

3. **National Candy Co., Inc. common:** Authorized, 240,000 shares; outstanding, 211,780 shares; in treasury, 28,220 shares; no par (changed from $100, Oct. 7, 1927, four no par shares issued for each $100 share). Has one-quarter vote per share. Dividends paid on $100 par shares: 1% each March 15 and Sept. 15, 1910, and March 15, 1911; none thereafter to March, 1917; when 1½% was paid; Sept., 1917, 1½%; 1918, 5%; 1919, 5½%; 1920 and 1921, 6% per annum; 1922 and 1923, 5%; 1924, 6%; 1925 and 1926, 7%; March 16 and Sept. 7, 1927, 3½% each. Paid extra dividends of 7½% in 1919; March and Sept., 1920, 5% each. Paid initial dividend of 43¾ cents on no par stock Nov. 1, 1927; Jan., 1928, 43¾ cents and quarterly thereafter to Jan. 1, 1930, incl.; Apr. 1, 1930, 50 cents. Dividends payable quarterly, Jan. 1, etc., to stock of record Dec. 12, etc.

Transfer Agent: Franklin-American Trust Co. St. Louis, Mo. Registrar: Mississippi Valley Trust Co. St. Louis, Mo. All classes listed on St. Louis Stock Exchange and common quoted in New York. Number of stockholders: Dec. 31, 1929, 1st pref., 341; 2nd pref., 220; common, 1,273.

Price Range:	1929	1928	1927	1926	1925	1924	1923
1st pfd.....	109½–104	120 –108	113–107	110–106½	110–107	109 –108	106 – 99½
2nd pfd....	98½– 94	105 – 96	107–100	104–100	107–103	106 – 99½	101½– 96
Common ..	84½– 18	23½– 17	*23– 21⅛	82– 70	106– 88	97½– 80	93 – 73⅝

NATIONAL LEAD COMPANY

History: Incorporated under the laws of New Jersey, December 7, 1891. In 1906 control of the United Lead Company was acquired, and early in 1907, practically all the $1,500,000 8% preferred and $1,500,000 common stock of the Magnus Metal Co. was acquired. In March, 1910, acquired an interest in the United States Cartridge Co., of Lowell, Mass., consumer of lead and manufacturer of fixed ammunition. Owns entire capital stock of Carter White Lead Co., of Chicago and Omaha. As of July 1, 1912, acquired entire capital stock of the Matheson Lead Co., which was subsequently dissolved. In addition to its numerous manufacturing plants the company maintains offices at the following places: Detroit, Kansas City, Mo., Louisville, Milwaukee, Nashville, Tenn., New Orleans, Omaha, St. Paul and at Charleston. In addition The National Lead Co. of California maintains branches at Los Angeles, Portland, and Seattle. Branches located as follows: Atlantic branch, New York, N. Y.; Baltimore, Buffalo, Cleveland, Cincinnati, Chicago, St. Louis; John T. Lewis & Bros.' Co., Philadelphia; E. W. Blatchford Co., Chicago; E. W. Blatchford Co., New York; St. Louis Smelting & Refining Works, St. Louis, Mo.; National Lead & Oil Co. of Pa., Pittsburg; National-Boston Lead Co., Boston; National Lead Co. of Cal., San Francisco, and National Lead Co. of Argentine, Buenos Aires. In 1919, purchased the plant of Hirst & Begley Linseed Co., of Illinois, at Chicago, manufacturers of linseed oil. In 1920, the company acquired entire ownership of the U. S. Cartridge Co., manufacturers of shells and ammunition, and precision machinery and tools, and in 1926 sold machinery and equipment of this company. In January, 1921, the company purchased one-half of the outstanding capital stock of the Titanium Pigment Co., Inc., Niagara Falls, N. Y. Manufactures virtually all products of pig lead, including white lead, oxides, and kindred products; also linseed oil, linseed oil cake and meal, and smelts and refines lead. Company has an interest in the Patino Mines & Enterprises Consolidated, Inc. (which see), formed in July, 1924 to acquire Bolivian properties of the Estañifera de Llallagua. In Apr., 1925 purchased plant and business of Metallurgical & Chemical Corp. with works at Matawan, N. J.

In 1927 company exercised its option to purchase the Titan Co. of Norway. Company also concluded an agreement with Die Interessengemeinschaft Farbenindustrie Aktiengesellschaft to manufacture and market in Germany and Central Europe titanium pigments from the Norwegian ores. I. G. Farbenindustrie A. G. and the company each own an interest in Titanigesellschaft M. B. H. which has built a plant for the manufacture of titanium pigments at Leverkusen, near Cologne, Germany. Acquired a substantial interest during 1927 in the Newton Die Casting Corp., of New Haven, Conn. Number of employees, Dec. 31, 1929 (including all wholly-owned subsidiaries), 7,000.

Subsidiaries: Corporations in which National Lead Co. is interested through ownership of all or part of the capital stock:

Associated Lead Manufacturers, Ltd., England; National Lead owns 20% of stock.

Baker Castor Oil Co., New York, manufacturers of castor oil.

Carter White Lead Co., Chicago and Omaha, white lead corroders.

Cinch Expansion Bolt & Engineering Co., New York, manufacturers of expansion bolts.

Georgia Lead Co., Atlanta, Ga., manufacturers of sheet lead, pipe and alloys.

Midwest Carbide Co., Keokuk, Iowa.

Magnus Company, Inc., New York, brass founders.

National Lead Co. of Canada, Ltd.: Company controls Canada Metal Co., Ltd., Hoyt metal Co. of Canada and Robertson Lead Mfg. Co.

National Lead Co. of Cal.: San Francisco Cal. (successor to Bass-Hueter Paint Co.), manufacturers of white lead oxides; also mixed paints, varnishes, and paint specialties

National Pigments & Chemical Co., St. Louis, miners and manufacturers of barytes.

Newton Die Casting Corp., New Haven, Conn., manufacturers of pressure die casting.

St. Louis Smelting & Refining Co., St. Louis, miners, smelters and refiners of lead.

Societe Industrielle du Titane, Paris, France, manufacturers and distributors of titanium oxide pigments.

Titan Co., Inc. Incorporated in Delaware in 1929 as a holding company. National Lead Co. owns 87% of stock. Titan Co., Inc. acquired the holdings of National Lead Co. in Titangesellschaft m. b. H., of Germany, The Societé Industriel du Titane of France, and the patents for the manufacture of Titanium products formerly held by Titan Co. A/S of [illegible]way.

[illegible] Co. A/S, Fredrikastad, Norway, [illegible]cturers of titanium oxide pig-

[illegible] Pigment Co., Inc., New York, [illegible]cturers of titanium oxide pig-

States Cartridge Co., New York, [illegible]nufacturers of metallic and sporting ammunition.

Williams Harvey Corp., New York, smelters and refiners of tin.

Products: National Lead Co. either directly or through its subsidiaries manufactures the following products:

Painters' Materials: White lead, dry and in oil; red lead, dry and in oil; flatting oil; colors, dry and in oil; linseed oil, American and Calcutta, raw, boiled, refined varnishmakers'.

Bearing Metals: Babbitt metals, frary metal, pressure die castings.

Plumbers' Materials: Lead pipe, block tin pipe, tin-lined pipe, soldering flux, leadamant pipe, lead traps and bends, solder.

Printers' Metals: Linotype metal, monotype metal, stereotype metal, electrotype metal.

Canners' Materials: Bar solder, wire solder, soldering flux, ribbon solder, triangular solder.

Lead Oxides: Red lead, litharge, orange mineral, glassmakers' oxides, colormakers' oxides, rubbermakers' oxides, varnishmakers' oxides, enamelmakers' oxides, potters' oxides, storage battery oxides.

Miscellaneous Lead Products: Sheet lead, glaziers' lead, bar lead, Antimonial lead products, lead lined valves, lead for architectural purposes, lead wool, lead wire, lead sash weights, Piano key leads, cinch expansion bolts.

General Products: Brown sugar of lead, white sugar of lead, linseed oil cake and meal, castor oil.

Management: Officers: Edw. J. Cornish, Pres. and Chairman, New York; G. O. Carpenter, Vice-Pres., St. Louis; E. F. Beale, Vice-Pres., Philadelphia, Pa.; Evans McCarty, F. M. Carter, W. C. Beschorman, Vice-Pres.; M. D. Cole, Sec.; Charles Simon, Treas.; Henry O. Bates, Asst. Sec.; H. T. Warshow, Compt.; H. W. Dickerson, H. O. Bates, Asst. Compt.; Alexander & Green, General Counsel, New York. Directors: E. J. Cornish, New York; E. F. Beale, Philadelphia; G. O. Carpenter, J. A. Cascleton, St. Louis; W. H. Croft, C. E. Field, Chicago; Gustave W. Thompson, Brooklyn; G. D. Dorsey, St. Petersburg, Fla.; W. N. Taylor, Pittsburgh; Evans McCarty, W. C. Beschorman, F. M. Carter, New York; A. H. Brodrick, Newton, Mass.; H. G. Sidford, Maplewood, N. J.; F. W. Rockwell, Greenwich, Conn. Annual Meeting: Third Thursday in April, at Jersey City. Main Office: 111 Broadway, New York. Corporate Office: [illegible] Exchange Place, Jersey City, N. J.

NL INDUSTRIES, INC.

CAPITAL STRUCTURE

LONG TERM DEBT

Issue	Rating	Amount Outstanding	Times Charges Earned 1982	1981	Interest Dates	Call Price	Price Range 1982	1981
1. Debenture 7½s, 1995	A 1	$44,498,000			J & D 15	[2]102.00	71½ - 54¼	65 - 51¾
2. Debenture 9¾s, 2000	A 1	100,501,000			J & J 1	[2]105.375	79½ - 64	76 - 61
3. One-year extend. notes, 1987	A1	100,000,000			F & A 15	[1]	100 - 99½	
4. Nat'l Lead subord. deb., 4½s, 1988	A2	6,978,000	[4]5.26	[4]8.74	A & O 1	[2]100.75	71½ - 56⅞	66 - 56
5. Subsidiary debt	....	19,428,000			.....	.....	.....	.....
6. Other debt	....	49,523,000			.....	.....	.....	.....
7. Commercial paper	....	232,025,000			.....	.....	.....	.....

CAPITAL STOCK

Issue	Par Value	Amount Outstanding	Earned per Sh. 1982	1981	Divs. per Sh. 1982	1981	Call Price	Price Range 1982	1981
1. $3.50 cumulative preferred	$100	450,000 shs.	[3]....	[3]....	[3]....	[3]....	$100	[3].....	[3].....
2. Common	1.25	61,766,792 shs.	[5]$3.12	[5]$4.61	$1.00	[6]$1.00	.....	39¾ - 14¼	[6]43⅛ - 31

[1]Based on average shares as reported by Co. on continuing oper. [2]Subject to change, see text. [3]Privately placed. [4]Based on income from continuing operations. [5]Includes $0.35 paid prior to 2-for-1 split. [6]After 2-for-1 split; before, $81½-41¼. [7]See text.

HISTORY

Incorporated in New Jersey, Dec. 8, 1891 as National Lead Co. to acquire the properties and business of various manufacturers of white lead and oxides of lead and one lead mining and smelting company, paying therefor 149,040 shares of 7% cumulative class A preferred and 149,054 shares of common, both of $100 par value. Present name adopted Apr. 15, 1971.

For acquisitions, mergers, etc., prior to 1955, see Moody's 1969 Industrial Manual.

Early in 1955 acquired Southern Screw Co. manufacturer of wood and steel screws with plant at Statesville, N.C. Also acquired Anchor Screw Products Co. with a warehouse in Los Angeles.

On Apr. 6, 1959, issued 30,000 common shares in acquisition of net assets of Goldsmith Bros. Smelting & Refining Co., processor of precious metals and allied products with principal plant in Chicago; now operated as a division until early 1974 when operations were discontinued.

In May, 1961, acquired majority interest in Metal Castings Ltd., Worcester, England, producer of aluminum and zinc die castings.

In 1962, acquired stock of Floating Floors Inc. (manufacturer and seller of die-cast elevated floors and flooring systems) and formed subsidiaries (Kronos Titanium Pigments Ltd.) in England and in Belgium (Chas. Taylor Sons, S.A.).

In 1964, acquired American Tansul Co., and purchased 93% interest in Schraubenfabrik Neustadt Goetz & Cie. G.m.b.H., Neustadt, West Germany.

In 1965, company sold 50% of its interest in Canada Metal Co., Ltd. to Cominco Ltd.

In Aug. 1967, acquired Amos-Thompson Corp. in exchange for 365,752 common shares.

In Feb. 1968 acquired assets of Cochrane Foundry, Inc., York, Pa., producer of aluminum, bronze and brass castings through exchange of stock.

In July 1968 acquired Bunting Brass & Bronze Co., Toledo, O., manufacturer of bronze bushings, bars and special parts.

In Sept. 1968 acquired Synrox, Inc., maker of specialty refractories for manufacture of stainless, alloy and carbon steel.

In Oct. 1968 acquired Edgar Plastic Kaolin Co., Inc., Edgar, Fla., producer of kaolin clay which is used by ceramic industry for about 28,000 common shares.

In Jan. 1969 acquired 99% of outstanding shares of Lake View Trust & Savings Bank of Chicago (see Moody's Bank & Finance Manual) for $38,000,000 cash.

In Apr. 1969 agreed to acquire certain assets and assume certain liabilities of McCullough Tool Co. of Houston and Los Angeles for about $7,500,000. McCullough provides complete wire line services in oil fields of U.S. and Canada.

In Sept., 1969, acquired Jonathan Manufacturing Co. (Cal.) for about 136,000 company common shares and cash. Jonathan and subsidiaries produce aluminum and steel precision parts, and provide metal finishing services primarily for the electronic and aerospace industries.

In Feb., 1970, stockholders of Baker Castor Oil Co. (N.J.), a subsidiary, approved National's acquisition of remaining 29% outstanding shares. Transaction is subject to favorable tax ruling.

In June 1970 acquired Regal Molds Inc., Toledo, O., tool & die shop for 7,825 Co. com. shs.

In 1971, acquired remaining outstanding stock of Morris P. Kirk & Son Inc. and outstanding preferred stock of National Lead Co., S.A. (Company owns all outstanding common stock.)

Also during 1971, Company sold French and Australian manufacturing subsidiaries of Hoyt Metal Co. of Great Britain Ltd. its investments in Colver S.p.A. and Aluminum Match Plate Corp.

In Nov. 1972, acquired Nuclear Radiopharmaceutical Corp. and Reactor Laboratories, Inc. from Cambridge Nuclear Corp., for $3,500,000.

In 1972 acquired Bell Clay Co. thru an exchange of 148,000 Co. treasury shs.

In 1973 acquired Triangle Service, Inc. thru an issuance of 85,000 Co. treasury shs.

In 1974 acquired Wilson-Snead Mining Company Inc. thru an issuance of 33,000 Co. treasury shs.

On Mar. 25, 1976, sold Lake View Trust and Savings Bank for $29,500,000 in cash and $10,000,000 in 10 yr. notes.

In Dec. 1976, sold Dutch Boy Paints Division to ELT, Inc.

On Jan. 18, 1977, merged Rucker Co. in exchange for 8,187,366 Co. common shares.

In Sept. 1977 acquired Ashton Supply Co., Inc. in exchange for 29,884 Co. com. shs.

In Mar. 1978 acquired Stewart & Stevenson Oiltools Inc. for $31,000,000 in cash plus assumption of $8,000,000 in liabilities.

In May 1978 sold Metal Castings Doehler Ltd. to Lesney Products & Co.

In Dec. 1978, acquired oil well servicing business of Texas International for $101,000,000 in cash and petroleum products and services.

In Jan. 1979, sold Pioneer Aluminum, Inc. for $12,000,000.

During 1979 acquired Basin Survey's Inc. and Petro-Log Inc. for 379,669 com. shs. and $3,250,000 cash.

In 1979 sold its remaining recycled lead facilities to various purchasers.

In Nov. 1979 sold three Argentine subsidiaries, National Lead S.A.; Industrias Deriplom, S.A. and Corinda, S.A. to an Argentine investor.

In Nov. 1979, sold Titanium Alloy Manufacturing Co., an Australian subsidiary to Utah Mining Australia Ltd. for $19,000,000.

In 1980, sold NL Magnesium for approx. $60,000,000.

In Apr. 1981, acquired Sperry-Sun, Inc. for $252,340,000 in cash.

In Nov. 1982, sold its Metals division to Farley Metals, Inc.

Joint Venture: In May 1977, Co. formed a joint venture oil industry tubular products manufacturing company in Japan with Teijin Ltd., Tokyo. Co. said it has a 51% interest in the $10,000,000 firm, with Teijin holding the other 49%.

SUBSIDIARIES AND AFFILIATES

Functions as both an operating and a holding company owning 100% (except as noted) of the voting control of the following:

NL Acme Tool
NL Atlas Bradford
NL Baroid
NL Logging Systems
NL McCullough
NL Reamco
NL Rucker Products
NL Shaffer
NL Sperry-Sun
NL Treating Chemicals
NL Well Service
American Thai Barite Ltd.
Atlantic Minerals and Products Corp.
Baroid Australia Pty., Ltd. (90%)
Baroid of Canada, Ltd.
Baroid Drilling Chemicals Products, Ltd. (60%)
Baroid France S.A.
Baroid International, S.p.A.
Baroid Minera Bolivia Limitada
Baroid of Nigeria, Ltd. (60%)
Baroid Pigmina Industriale Commercial, S.A.
Baroid de Venezuela, S.A. (92%)
NL-Baroid Minerals, Inc. (80%)
NL-Baroid (Cameroon) S.A.R.L.
NL Overseas Service Corp. (England)
NL Petroleum Services (Far East), Ltd. (Singapore)
NL Petroleum Services (U.K.) Ltd.
NL Rucker Products, Ltd.
Norsk Petroleum Services A/S (Norway)
Perubar, S.A. (Peru) (67%)
NL-Teijin Co., Ltd. (Japan) (51%)
NL International Inc. (Tex.)
Russell Attitude Systems Ltd. (England)
Abu Dhabi Drilling Chemicals and Products, Ltd. (United Arab Emirates) (25%)
Baroid Caribbean, Ltd. (Cayman Islands) (50%)
Baroid (Saudi Arabia), Ltd. (Saudi Arabia) (40%)
CeBo N.V., Curacao (Netherlands Antilles) (50%)
Libyan Baroid Co., Ltd. (Libya) (49%)
P.T. Baroid Indonesia (West Java) (49%)
Thai Endeavor, Ltd. (Thailand) (49%)
NL Chemicals
Abbey Chemicals Limited (Scotland) (70%)
Bentone-Chemie GmbH (West Germany) (70%)
Kronos Titan A/S (Norway)
Kronos Titan GmbH (West Germany)
NL CHEM Canada, Inc. (Canada)
NL Chemicals Europe, Inc. (Belgium)
NL Chemicals S.A./N.V. (Belgium)
NL Chemicals UK, Limited (United Kingdom)
Societe Industrielle du Titane, SA (France) (98%)
Titania A/S (Norway)
NLO, Inc. (Ohio)
Titanium Metals Corporation of America (50%)
Timet Division, Pittsburgh, Pennsylvania
Standard Steel Division, Burnham, Pennsylvania

BUSINESS & PRODUCTS

Company and its consolidated subsidiaries produce a broad line of products and services which are grouped into two major product areas—petroleum services and chemicals. These products and services are used by many industries, including aerospace, automotive, chemical, construction, furniture, natural gas, paint, petroleum, plastics, rubber and transportation industries.

Company's principal products are as follows:

Petroleum Services: Co. supplies a wide range of products services and equipment for use by oil and gas exploration and development industries in drilling, well workover and completion operations both on land and offshore. With the acquisition of Sperry-Sun, Inc., NL has also moved into the large and rapidly growing directional drilling market. Products and services include drilling mud, mud logging, well workover fluids, applied drilling technology, diamond drill bits, diamond coring tools, shock absorbing tools, equipment rental, fishing tools and services, well logging, perforating and cutting, well workover, maintenance and completion services and treating chemicals. Equipment supplied by Co. includes blowout preventers, control units for blowout preventers and for other subsea equipment, automatic drilling controls, offshore motion compensators, marine risers, drilling valves and manifolds, mud processing equipment, premium tubing connections, premium casing connections and premium threading. Co. also supplies hydraulic components manufactured by third parties for petroleum exploration vehicles and other equipment.

Chemicals: Produces and supplies specialty pigments, rheological agents, castor oil derivatives and chemical specialties for use by plastic, paint, ink, grease, pharmaceutical industries.

Company is a leading producer of titanium pigments which are used primarily by the paint, paper and plastics industries. Sold under "Titanox" and "Kronos" trademarks, the pigments impart whitening, brightening and opacifying power to many products. Co. also is engaged in the mining of ilmenite ores.

Other: NL's wholly-owned subsidiary, NLO, Inc., is the contract operator for the U.S. Department of Energy of the uranium ore concentration plant at Fernald, Ohio.

Through a 50%-owned affiliate, NL produces titanium metal sponge, ingot and mill products for aerospace and industrial applications, and specialty steels, wheels, axles and elliptic rings for transportation and industrial uses.

Dollar Sales of Products (In millions):

	1982	1981	[1]1980
Petroleum Group	1,736.8	1,899.1	1,259.8
Chemical Group	476.7	564.7	551.7

PRINCIPAL PLANTS AND PROPERTIES

Chemicals Group

Bayonne, N.J.
Charleston, W.Va.
Varennes, Quebec
Langerbrugge-Ghent, Belgium
Fredrikstad, Norway
Leverkusen, West Germany
Nordenham, West Germany
Livingston, Scotland
Sayreville, N.J.
Paris, France
Fernald, Ohio

Petroleum Group

Houston, Tex.
Broussard, La.
Bogota, Colombia
Bangkok, Thailand
Calgary, Canada
Rome, Italy
Lagos, Nigeria
London, England
Salvador, Brazil
Singapore, R.S.
Brussels, Belgium
Billere, France
British Columbia, Canada
Sao Paulo, Brazil
Perth, Australia
Maracaibo, Venezuela
Trinidad, West Indies
Curacao, Netherlands, Antilles
Benghazi, Libya
Merak, West Java
Langesund, Norway
Iwakuni, Japan
Lima, Peru
La Paz, Bolivia

1982 Capital Expenditures amounted to $306,148,000 ($293,924,000).

MANAGEMENT

Officers

R.C. Adam, Chmn.
T.C. Rogers, Pres. & Chief Exec. Off.
MacDonnell Roehm, Jr., Exec. Vice-Pres.
F.W. Montanari, Exec. Vice-Pres.—Chem.
R.J. Hurley, Vice-Pres. & Gen. Counsel
R.E. Brooker, Jr., Vice-Pres.
W.E. Parker, Vice-Pres.
W.F. Schultz, Vice-Pres., Operations & Services
M.L. Moore, Vice-Pres.—Empl. Rel.
W.H. Welch, Vice-Pres.
Jean-Pierre De Vleeschouwer, Vice-Pres.
J.R. Slowik, Vice-Pres.
S.R. Erikson, Vice-Pres.
Ilan Kaufthal, Vice-Pres.—Fin.
J.T. Rafferty, Sec.
J.H. Watt, Treas.
C.J. Christenson, Asst. Treas.
W.P. Newhall, II, Asst. Treas.
J.M. Harrington, Asst. Treas.
D.P. Kenney, Asst. Treas.
J.V. Janny, Asst. Contr.
G.A. Paulson, Asst. Contr.

Directors

(Showing Principle Corporate Affiliations)

Ray C. Adam, Chairman of the Board, NL Industries, Inc.

Nicholas F. Brady, Chairman and Managing Director, Dillon Read & Co., Inc.

Maurice F. Granville, Former Chairman and Chief Exec. Off., Texaco Inc.

J. Paul Lyet, Former Chairman and Chief Executive Officer, The Sperry Corp.

William A. Marquard, Chairman and Chief Executive Officer, American Standard Inc.

Richard M. Paget, President, Cresap, McCormick and Paget.

T.C. Rodgers, President & Chief Executive Off., NL Industries, Inc.

Herman J. Schmidt, Former Vice-Chairman, Mobil Oil Corp.

Robert G. Schwartz, Vice-Chairman, Metropolitan Life Insurance Co.

Jack B. St. Clair, President, St. Consultants, Inc.

Morris H. Wright, Advisory Director, Lehman Brothers Kuhn Loeb Inc.

Auditors: Coopers & Lybrand.

Shareholder Relations: Joseph M. Garrison, Dir., Investor Relations. Tel.: (212)621-9479.

Annual Meeting: Fourth Wednesday in Apr.

No. of Stockholders: Dec. 31, 1982 (common), 49,125.

No. of Employees: Dec. 31, 1982, (approx.) 6,800.

General Office: 1230 Avenue of the Americas, New York, NY 10020. Tel.: (212)621-9400.

INCOME ACCOUNTS

COMPARATIVE CONSOLIDATED INCOME ACCOUNT, YEARS ENDED DEC. 31

(In thousands of dollars)

	1982	1981	[1]1980	[1]1979
Net sales	2,213,520	2,463,828	1,811,497	1,465,604
Equity in partially-owned cos.	33,718	51,034	33,443	16,855
Other income (loss)	(8,207)	21,802	(3,673)	(623)
	2,239,031	2,536,664	1,841,267	1,481,636
Cost of goods sold	1,619,837	1,469,058	1,132,851	940,787
Selling, gen. and admins.	462,660	491,786	415,291	338,596
Interest	66,799	65,177	41,947	48,858
Minority interest	5,187	6,174	4,565	2,869
Inc. from continu. oper. bef. inc. taxes	284,548	504,469	246,613	150,526
Provision for inc. taxes	81,652	194,243	88,219	56,888
Discontinued operations	cr4,407	cr5,757	cr9,279	dr7,952
(Loss) from disposal of discont. oper.	(18,519)	.....	.....	.....
Inc. bef. com. eff. of acct. chg.	188,784	315,983	167,673	85,686
Cum. eff. of acct. chg.	.....	.....	.....	[2]cr26,257
Net income	188,784	315,983	167,673	111,943
Retained earnings, beg. of year	1,018,682	761,814	641,447	573,224
Common dividends	63,553	54,802	42,993	39,407
Preferred dividends	4,313	4,313	4,313	4,313
Retained earnings, end of year	1,139,600	1,018,682	761,814	641,447

[1]Restated to reflect "Discontinued Operations" in 1981. See General note (e) below.
[2]Cum. effect of change in 1979 of method of accounting for investment tax credit from deferral to flow-through method. Equal to $0.40 per com. sh.

Consolidated Statement of Changes in Financial Position, years ended Dec. 31 (in $000):

	1982	1981
Source of funds:		
Inc. from contin. oper.	202,896	310,226
Deprec. and amort.	134,585	98,401
Def. inc. taxes	61,697	15,939
Inc. in inc. of partially-owned cos.	(29,597)	21,000
Minority int. in inc. of maj. owned cos.	973	3,259
Funds prov. from contin. opers.	370,554	448,825
Dispos. of fixed assets	34,216	23,647
Lg.-tm. borrs.	58,629	195,560
Invest., net	11,615	(2,452)
Proc. from issu. of com. stk.	3,876	3,896
Discontinued operations:		
Proceeds from sale	102,658	6,381
Other (loss on sale, cap. expend., deprec., def. tax., etc.)	(20,909)	4,182
Total	560,639	680,039
Application of funds:		
Acquisitions:		
Prop., plant & equip. (net)	.....	49,653
Intang. and other non-curr. assets	.....	191,728
	.....	241,381
Com. stk.	63,553	54,802
Prefer. stk.	4,313	4,313
Capital expend.	306,148	293,924
Retire. of pfd. stk.	5,000	.....
Purch. of com. stk. for treas.	108,589	.....
Decr. in wkg. cap. fr. transl. adj.	20,747	.....
Other	17,694	10,269
	526,044	604,689
Incr. in work. cap.	34,595	75,350

BALANCE SHEETS

COMPARATIVE CONSOLIDATED BALANCE SHEET, AS OF DEC. 31

(Taken from reports to Securities and Exchange Commission)

(In thousands of dollars)

ASSETS	1982	1981	[1]1980
Cash & equivalents	52,185	26,732	27,375
[1]Notes & accounts receivable	403,328	439,877	370,735
[1]Inventories	361,993	393,758	337,474
Prepaid expenses	9,501	12,469	9,770
Total current assets	827,007	892,836	745,354
Inv. & adv. to partially-own. companies & other invest.	170,506	124,151	142,699
[1]Property, plant & equipment	1,572,754	1,361,579	1,036,995
[1]Less: Deprec. & depletion reserve	528,406	465,728	381,852
Net property account	1,044,348	895,851	655,143
Other assets	232,264	240,480	58,375
Net assets of disc. oper.	9,504	145,152	147,776
Total	2,283,629	2,298,470	1,749,347
LIABILITIES			
Notes payable	25,427	32,158	77,294
Accounts payable	110,120	119,096	96,599
Other current liabilities	162,224	208,727	153,725
Income taxes	69,735	107,949	68,180
Total current liabilities	367,506	467,930	395,798
Bonds payable	354,953	498,979	303,419
Other noncurrent liab.	20,942	21,654	22,367
Deferred income tax	130,502	80,852	62,731
ority interest	13,889	15,251	11,992
rred stock ($100 par)	45,000	50,000	50,000
mon stock ($2.50 par)	83,325	83,068	82,836

ATTACHMENT 3

I, The Secretary of State of the State of New Jersey, DO HEREBY CERTIFY that the foregoing is a true copy of CERTIFICATE OF Restated Certificate of Incorporation and the endorsements thereon, as the same is taken from and compared with the original filed in my office on the 26th day of July, A.D. 1990 and now remaining on file and of record therein.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at Trenton, this day 7th of October, A.D. 1992

SECRETARY OF STATE

Daniel J. Dalton

ANNEX I

RCB
FILED
JUL 26 1990
JOAN HABERLE
Secretary of State
0639763

NL INDUSTRIES, INC.

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

ARTICLE I

NAME

The name of the corporation is "NL INDUSTRIES, INC." (the "Corporation").

ARTICLE II

LOCATION OF OFFICE AND REGISTERED AGENT

The address of the Corporation's current registered office in the State of New Jersey, as of the date of this Amended and Restated Certificate of Incorporation, is 28 W. State Street, Trenton, New Jersey 08608. The name of its current registered agent at such address, as of the date of this Amended and Restated Certificate of Incorporation, is The Corporation Trust Company.

ARTICLE III

CORPORATE PURPOSE

The purpose for which the Corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the New Jersey Business Corporation Act (the "Act").

ARTICLE IV

AUTHORIZED CAPITAL STOCK

The total authorized capital stock of the Corporation is one hundred fifty-five million (155,000,000) shares, of which one hundred fifty million (150,000,000) shares shall be common stock (hereinafter called "Common Stock"), with the par value of $.125 each, and five million (5,000,000) shares shall be preferred stock (hereinafter called "Preferred Stock"), without par value.

A. *Common Stock.* Subject to the provisions of any series of Preferred Stock which may at the time be outstanding, the holders of shares of Common Stock shall be entitled to receive, when and as declared by the Board of Directors out of any funds legally available for the purpose, such dividends as may be declared from time to time by the Board of Directors. In the event of the liquidation of the Corporation, or upon the distribution of its assets, after the payment in full or the setting apart for payment of such preferential amounts, if any, as the holders of Preferred Stock at the time outstanding shall be entitled, the remaining assets of the Corporation available for payment and distribution to shareholders shall, subject to any participating or similar rights of Preferred Stock at the time outstanding, be distributed ratably among the holders of Common Stock at the time outstanding. Each share of Common Stock shall be entitled to one (1) vote, on a non-cumulative basis, at all meetings of shareholders, and shall have no preference, conversion, exchange, preemptive or redemption rights.

B. *Preferred Stock.* The Board of Directors is hereby expressly authorized, to the full extent now or hereafter permitted by the laws of the State of New Jersey, at any time, and from time to time, to provide for the issuance of some or all of the Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers, and with such designations, preferences and relative participating options or other special rights, and qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by

X 733-6535 55100

the Board of Directors, including (without limiting the generality thereof) the following as to each such series:

(i) the designation of such series;

(ii) the dividends, if any, payable with respect to such series, the rates or basis for determining such dividends, any conditions and dates upon which such dividends shall be payable, the preferences, if any, of such dividends over, or the relation of such dividends to, the dividends payable on any other class or series of stock of the Corporation, including the imposition of restrictions or limitations on dividends payable with respect to any other class or series of stock of the Corporation, whether such dividends shall be non-cumulative or cumulative, and, if cumulative, the date or dates from which such dividends shall be cumulative;

(iii) whether shares of Preferred Stock of such series shall be redeemable at the option of the Corporation or the holder or both or upon the happening of a specified event or events and, if redeemable, whether for cash, property or rights, including securities of the Corporation, the time, prices or rates and any adjustment and other items and conditions of such redemption;

(iv) the terms and amount of any sinking, retirement or purchase fund provided for the purchase or redemption of Preferred Stock of such series;

(v) whether or not Preferred Stock of such series shall be convertible into or exchangeable for shares of another class or series, at the option of the Corporation or of the holder or both or upon the happening of a specified event or events and, if provision be made for such conversion or exchange, the terms, prices, rates, adjustments and any other terms and conditions thereof;

(vi) the extent, if any, to which the holders of the Preferred Stock of such series shall be entitled to vote with respect to the election of Directors or otherwise, including, without limitation, the extent, if any, to which such holders shall be entitled, voting as a series or as a part of a class, to elect one or more Directors upon the happening of a specified event or events or otherwise;

(vii) the restrictions, if any, on the issue or reissue of Preferred Stock of such series or any other series; and

(viii) the rights of the holders of the Preferred Stock of such series upon the termination of the Corporation or any distribution of its assets.

Before the Corporation shall issue any Preferred Stock of any series, the Board of Directors shall adopt a resolution or resolutions fixing the voting powers, designations, preferences and rights of such series, the qualifications, limitations or restrictions thereof, and the number of shares of Preferred Stock of such series, and appropriate documents shall be executed and filed as required by law.

Unless otherwise provided in any such resolution or resolutions, the holders of the series so authorized shall have non-cumulative voting rights (to the extent such series has any voting rights) and shall have no conversion, exchange, preemptive or redemption rights. Unless otherwise provided in any such resolution or resolutions, the number of shares of Preferred Stock of the series authorized by such resolution or resolutions may be increased or decreased from time to time (but not below the number of shares of Preferred Stock of such series then outstanding), and the number of shares of Preferred Stock specified in any such decrease shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

C. *$8.625 Preferred Stock, Series A, Designation.* There is hereby created a series of Preferred Stock of the Corporation, designated "$8.625 Preferred Stock, Series A", and consisting of 500,000 shares, and

the powers, preferences and relative and other special rights and the qualifications, limitations and restrictions thereof are hereby fixed as follows:

(i) *Dividends.* The annual dividend rate of the $8.625 Preferred Stock, Series A, shall be $8.625 on each outstanding share of such stock, and no more. Dividends on shares of the $8.625 Preferred Stock, Series A, shall be payable, when and as declared by the Board of Directors in accordance with this Article IV, on the earliest of the January 31, April 30, July 31 or October 31 next succeeding the date said shares are originally issued, pro rata for the period commencing on the date said shares are originally issued and ending on said date, and thereafter quarterly on such dates in each year, and such dividends shall accrue and become cumulative from such date of original issuance. Such dividends shall be paid to the record owner of such shares on the stock register of the Corporation on the fifteenth day of the month in which such dividends are to be paid. A dividend on account or in full for arrears for any past dividend period may be declared and paid at any time, without reference to any quarterly dividend payment date, to shareholders of record on such date, not exceeding 45 days preceding the payment date, as may be fixed by the Board of Directors. To the extent that the amount paid at any time or from time to time on the shares of $8.625 Preferred Stock, Series A shall be less than the total amount due and payable on such shares, such amount shall be paid pro rata to each record owner of such shares in the proportion that the total number of such shares owned bears to the total number of shares of the $8.625 Preferred Stock, Series A then outstanding.

(ii) *Voting.* The holders of the shares of the $8.625 Preferred Stock, Series A, shall not, except as otherwise required by law or as set forth herein, have any right or power to vote on any question or in any proceeding or to be represented at or to receive notice of any meeting of shareholders. On any matters on which the holders of the $8.625 Preferred Stock, Series A, shall be entitled to vote, they shall be entitled to one vote for each share held.

If, however, and whenever, at any time or times, six dividends payable on the $8.625 Preferred Stock, Series A, shall be in arrears in part or in full or mandatory purchase retirements herein required for the $8.625 Preferred Stock, Series A, shall be in arrears in an aggregate amount equivalent to two full annual mandatory purchase retirements, or the outstanding shares of any one or more other series of the Preferred Stock upon which like voting rights may be conferred (by reason of dividends payable on or mandatory purchase retirements required for the shares of such other series being in arrears) shall then have the right to elect one or more directors of the Corporation, the outstanding $8.625 Preferred Stock, Series A, shall have the right, voting separately as a class with the shares of any such one or more other series of the Preferred Stock upon which like voting rights may be conferred, to elect two directors of the Corporation, which right shall continue until such time as (a) all dividends on the $8.625 Preferred Stock, Series A, and on any and all other series of the Preferred Stock upon which like voting rights shall have been conferred shall have been paid or declared and set apart for payment for all past quarterly dividend periods and for the then current quarterly dividend period, and (b) all mandatory purchases herein required for the $8.625 Preferred Stock, Series A, and all mandatory purchases, if any, required for any and all such other series shall have been wholly made good, at which time the right of the $8.625 Preferred Stock, Series A, and of such other series to vote and to be represented at and to receive notice of meetings shall terminate, subject to revesting in the event of each and every subsequent default of the character and for the time in this paragraph above mentioned. Anything in Article VIII of this Amended and Restated Certificate of Incorporation to the contrary notwithstanding, directors elected by the holders of the $8.625 Preferred Stock, Series A, and any such other series shall not be classified in respect to the time for which they shall hold office and, except as specifically otherwise provided herein, such directors shall be elected annually at the annual meeting of the shareholders of the Corporation.

At any time when such voting power shall become vested in the $8.625 Preferred Stock, Series A, and any such other series, as herein provided, the number of directors otherwise constituting the Board of Directors of the Corporation shall *ipso facto* be increased by two so long as such voting power shall be so vested, and a proper officer of the Corporation shall call a special meeting of the holders of the $8.625 Preferred Stock, Series A, and any such other series for the purpose of electing such

directors. Such meeting shall be called upon the notice required for annual meetings of shareholders and shall be held at the earliest practicable date at the place at which the last preceding annual meeting of the shareholders of the Corporation was held, but may be held at the time and place of the annual meeting if such annual meeting is to be held within 60 days after such voting power shall be vested in the $8.625 Preferred Stock, Series A, and any such other series. If such meeting shall not be called by a proper officer of the Corporation within 10 days after personal service upon the Secretary of the Corporation of a written request therefor of the holders of record of at least ten percent (10%) of the total number of shares of the $8.625 Preferred Stock, Series A, or within 10 days after mailing such request within the United States of America by registered or certified mail addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the receipt issued by the postal authorities), then the holders of record of at least ten percent (10%) of the total number of shares of the $8.625 Preferred Stock, Series A, and of any and all such other series then outstanding may designate in writing one of their number to call such meeting, and such meeting may be called at the expense of the Corporation by such person so designated upon the notice required for annual meetings of shareholders, or such shorter notice as may be acceptable to the holders of a majority of the shares of the $8.625 Preferred Stock, Series A, and any and all such other series then outstanding, and shall be held at the place at which the last preceding annual meeting of the shareholders of the Corporation was held, or such other place as may be acceptable to the holders of a majority of the shares of the $8.625 Preferred Stock, Series A, and any and all such other series then outstanding. Any holder of $8.625 Preferred Stock, Series A, or of any such other series so designated shall have access to the stock books of the Corporation for the purpose of causing such meeting to be called pursuant to these provisions.

At any meeting so called, and at any other meeting of shareholders held for the purpose of electing directors at which the $8.625 Preferred Stock, Series A, and any such other series shall have the right, voting separately and as a class, to elect directors as aforesaid, the presence in person or by proxy of one-third of the total outstanding shares of $8.625 Preferred Stock, Series A, shall be sufficient to constitute a quorum for the election of any director by the $8.625 Preferred Stock, Series A, and any such other series, as a class.

If at any such meeting or adjournment thereof a quorum of the $8.625 Preferred Stock, Series A, shall not be present, the absence of such quorum shall not prevent the election of any directors to be elected by the holders of other classes of stock entitled to vote, but a majority of the holders of the $8.625 Preferred Stock, Series A, and any such other series present in person or by proxy shall have the power to adjourn the meeting for the election of directors which they are entitled to elect, from time to time, until a quorum of the $8.625 Preferred Stock, Series A, and any such other series is present at such adjourned meeting.

Upon any termination of the right of the holders of the $8.625 Preferred Stock, Series A, and any such other series to vote for the directors as herein provided, the term of office of any directors theretofore elected by such holders and then in office shall terminate.

During any period in which the holders of the $8.625 Preferred Stock, Series A, and any such other series have the right to vote for directors as herein provided, any vacancy occurring among the directors elected by such holders shall be filled at a special meeting of such holders called for such purpose as aforesaid.

(iii) *Restrictions on Junior Stock Payments.* So long as any of the $8.625 Preferred Stock, Series A, is outstanding, the Corporation will not declare any dividend (other than a dividend payable in Common Stock of the Corporation) on any class of Junior Dividend Stock and will not make any other Junior Stock Payment unless, after giving effect to the proposed Junior Stock Payment, all of the conditions set forth in the following subparagraphs (a), (b) and (c) shall exist at the date of declaration in the case of a dividend, or at the date of setting apart money therefor in the case of any mandatory purchase or other analogous fund, or at the date of payment or distribution in the case of any other Junior Stock Payment (each such date being herein called a "Junior Stock Payment Date"):

(a) all dividends on the $8.625 Preferred Stock, Series A, for all past quarterly dividend periods shall have been paid and the full dividend thereon for the then current quarterly dividend period, shall have been paid, or declared and provided for in cash, United States Treasury Bills or Notes, or other obligations the payment of which is guaranteed by the United States, sufficient for the payment thereof;

(b) all mandatory purchases herein required for the $8.625 Preferred Stock, Series A, for all past annual retirement periods shall have been made, and the full mandatory purchase required for the current annual retirement period shall have been made, or declared and provided for in cash, United States Treasury Bills or Notes, or other obligations the payment of which is guaranteed by the United States, sufficient for the payment thereof; and

(c) the sum of Junior Stock Equity shall be equal to at least 175% of the sum of the value upon involuntary liquidation of all shares of the $8.625 Preferred Stock, Series A, and Parity Distribution Stock and Prior Distribution Stock, all computed in accordance with generally accepted accounting principles.

No dividend shall be paid on the shares of any series of Parity Dividend Stock in respect of any quarterly dividend period unless (1) dividends for all past quarterly dividend periods on the $8.625 Preferred Stock, Series A, shall have been paid and (2) the full current dividend shall simultaneously be paid on the shares of the $8.625 Preferred Stock, Series A, or shall have been declared and provided for in cash, United States Treasury Bills or Notes, or other obligations the payment of which is guaranteed by the United States, sufficient for the payment thereof. At any time when dividends on the $8.625 Preferred Stock, Series A, shall be in arrears and shall also be in arrears on any other class or series of Parity Dividend Stock any payment in respect of such dividends shall be made ratably in proportion to the amounts which would be payable on said shares if all cumulative dividends accrued thereon to the date of the then current dividend payment in respect of the $8.625 Preferred Stock, Series A, were declared and paid in full.

(iv) *Mandatory Purchases.* As a mandatory purchase for the retirement of the shares of $8.625 Preferred Stock, Series A, the Corporation, on October 31, 1982, and on each October 31 thereafter to and including October 31, 1990, so long as any such shares are outstanding, will redeem 50,000 such shares (or all such shares outstanding on any such October 31, if less than 50,000), and on October 31, 1991 (if any such shares remain outstanding) will redeem all such shares then outstanding, in each case at the mandatory purchase price of $100 per share plus an amount equal to accrued and unpaid dividends thereon (herein referred to as the "mandatory purchase price").

Any optional redemption of shares of $8.625 Preferred Stock, Series A, pursuant to subparagraph (v) hereof, or any purchase or other acquisition of any such shares by the Corporation, shall constitute a retirement of such shares in lieu of or as a credit against any mandatory purchase required by this subparagraph (iv) in the inverse order in which such purchase requirement falls due.

(v) *Optional Redemption.* The shares of $8.625 Preferred Stock, Series A, may also be redeemed at the option of the Board of Directors as follows:

(a) up to but not exceeding 50,000 such shares may be redeemed on October 31, 1982 and on each October 31 thereafter, in addition to shares then to be redeemed for mandatory purchases pursuant to subparagraph (iv) hereof, at the mandatory purchase price hereinabove specified, which redemption privilege shall be non-cumulative so that, if not exercised on any such date, the Corporation may not on any succeeding October 31 thereafter exercise such redemption privilege to the extent not theretofore exercised; and

(b) such shares may be redeemed in whole at any time or in part from time to time at the following redemption prices per share, plus in each case an amount equal to accrued and unpaid dividends thereon (the total sum so payable on any such redemption being herein referred to as the "optional redemption price");

if redeemed on or before October 31, 1978, $108.625 per share;
if redeemed after October 31, 1978, but on or before October 31, 1979, $107.961 per share;
if redeemed after October 31, 1979, but on or before October 31, 1980, $107.298 per share;
if redeemed after October 31, 1980, but on or before October 31, 1981, $106.634 per share;
if redeemed after October 31, 1981, but on or before October 31, 1982, $105.971 per share;
if redeemed after October 31, 1982, but on or before October 31, 1983, $105.307 per share;
if redeemed after October 31, 1983, but on or before October 31, 1984, $104.644 per share;
if redeemed after October 31, 1984, but on or before October 31, 1985, $103.980 per share;
if redeemed after October 31, 1985, but on or before October 31, 1986, $103.317 per share;
if redeemed after October 31, 1986, but on or before October 31, 1987, $102.653 per share;
if redeemed after October 31, 1987, but on or before October 31, 1988, $101.990 per share;
if redeemed after October 31, 1988, but on or before October 31, 1989, $101.326 per share;
if redeemed after October 31, 1989, but on or before October 31, 1990, $100.663 per share; and
if redeemed after October 31, 1990, $100.00 per share;

provided, however, that prior to October 31, 1986 no shares of the $8.625 Preferred Stock, Series A, may be redeemed pursuant to this clause (b) if such redemption is part of or in anticipation of any refunding involving (1) the receipt of borrowed funds and the funds are obtained at an interest cost to the Corporation, computed in accordance with accepted financial practice, of less than 8.625% per annum or will have a shorter average life to maturity than the $8.625 Preferred Stock, Series A, or (2) funds representing the proceeds of the issue or sale of any class of shares of the Corporation entitled to priority as to dividends or assets over any other shares, and the funds are obtained at a dividend cost to the Corporation, computed in accordance with accepted financial practice, of less than 8.625% per annum or will have a shorter average life to maturity than the $8.625 Preferred Stock, Series A.

Notice of every mandatory or optional redemption shall be mailed by registered mail not less than 30 nor more than 60 days in advance of the date designated for such redemption (herein called the "redemption date") to the holders of record of the shares of such stock so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation. In case of any redemption, whether mandatory or optional, of a part only of the shares of $8.625 Preferred Stock, Series A, at the time outstanding, such redemption shall be made pro rata as nearly as practicable, according to the number of shares held by the respective holders, with adjustments to the extent practicable to equalize for any prior redemptions, and otherwise in such manner as the Board of Directors may determine, provided that only full shares shall be selected for redemption.

The term "accrued and unpaid dividends" shall mean a sum equal to $8.625 per share per annum from the date from which dividends are payable on the shares of $8.625 Preferred Stock, Series A, accrued to the redemption date, calculated on the basis of a year of 365 days, less the aggregate amount of all dividends theretofore paid thereon.

(vi) *Non-surrender of Redeemed Shares.* If, on the redemption date, the funds necessary for such redemption shall have been set aside by the Corporation separate and apart from its other funds in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for shares so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the right to receive dividends thereon shall cease to accrue from and after the redemption date and all rights of the holders of such shares so called for redemption shall forthwith, after the redemption date, cease and terminate, excepting only the right to receive the redemption price therefor but without interest. Any moneys so set aside in trust by the Corporation and unclaimed at the end of six years from the date fixed for such redemption shall be repaid to and utilized by the Corporation, after which repayment, holders of the shares so called for redemption shall look only to the Corporation for payment thereof.

(vii) *Conditions on Obligation to Redeem.* The obligation of the Corporation to redeem shares of $8.625 Preferred Stock, Series A, for mandatory purchase at any time as herein provided shall be

subject to any applicable restrictions of law, and in no event shall any shares of $8.625 Preferred Stock, Series A, be called for redemption for mandatory purchase unless and until full cumulative dividends on all outstanding shares of $8.625 Preferred Stock, Series A, other than shares previously or then to be called for redemption, shall have been declared by the Board of Directors and paid or set apart for payment for all past quarterly dividend periods and for the then current quarterly dividend period. Nevertheless, the obligation of the Corporation, pursuant to subparagraph (iv) hereof, to redeem shares of $8.625 Preferred Stock, Series A, annually commencing on October 31, 1982 shall be cumulative until all such shares have been redeemed and if and so long as any mandatory purchase retirement herein required for the $8.625 Preferred Stock, Series A, is in arrears, the Corporation will not redeem, purchase or otherwise acquire for value, or set apart money for any mandatory purchase or other analogous fund for the redemption or purchase of, any shares of any other class or series of Parity Distribution Stock, except that at any time when arrears exist in any mandatory purchase retirement herein required for $8.625 Preferred Stock, Series A, and in any mandatory purchase retirement required for any class or series of Parity Distribution Stock, the Corporation may redeem or purchase for the respective mandatory purchases shares of the $8.625 Preferred Stock, Series A, and of each of such class or series of Parity Distribution Stock, pro rata, as nearly as practicable, according to the amounts in dollars of the arrears in the mandatory purchase retirements required for the $8.625 Preferred Stock, Series A, and each such class or series of Parity Distribution Stock. Subject to applicable restrictions as herein specified, shares of $8.625 Preferred Stock, Series A, may be redeemed at any time and from time to time at the mandatory purchase redemption price for the purpose of making good in whole or in part any mandatory purchase retirement in arrears.

(viii) *Status of Shares Redeemed.* Shares of $8.625 Preferred Stock, Series A, redeemed through mandatory or optional purchase shall become authorized but unissued shares of Preferred Stock, but may not be reissued as shares of $8.625 Preferred Stock, Series A. As of the date of this Amended and Restated Certificate of Incorporation, 450,000 shares of $8.625 Preferred Stock, Series A have been redeemed.

(ix) *Purchases by the Corporation or a Subsidiary.* The Corporation will not permit any Subsidiary at any time to purchase any shares of $8.625 Preferred Stock, Series A, and will not itself at any time purchase any outstanding shares of such series except pursuant to an offer to purchase made on the same basis to the holders of all the outstanding shares of such series and such purchase shall be made pro rata as nearly as practicable, according to the number of shares held by the respective holders accepting such offer, with adjustments to the extent practicable to equalize for any prior such purchases, and otherwise in such manner as the Board of Directors may determine, provided that only full shares shall be selected for such purchase.

(x) *Liquidation.* In the event of any complete or partial liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the shares of the $8.625 Preferred Stock, Series A, shall each be entitled to receive out of the assets of the Corporation, whether such assets are capital or surplus, a sum equal to $100 plus accrued dividends (including cumulative dividends) to the date of such liquidation, dissolution or winding up and, in addition in the event of any voluntary liquidation, dissolution or winding up an amount equal to the excess over $100 of the optional redemption price then in effect for purposes of subparagraph (v), which preferential amount shall be paid in full after payment in full of all preferential amounts on any such liquidation, dissolution or winding up in respect of Prior Distribution Stock and before any distribution on any such liquidation, dissolution or winding up is paid upon or set apart for any class of Junior Distribution Stock. If the assets of the Corporation shall be insufficient to permit the payment in full of such preferential amounts in respect of the $8.625 Preferred Stock, Series A and all other classes and series of Parity Distribution Stock, then said assets shall be distributed ratably among the holders of the shares of $8.625 Preferred Stock, Series A, and of such other classes and series of Parity Distribution Stock in proportion to the amounts which would be payable on such liquidation, dissolution or winding up if all such amounts were paid in full.

The sale, conveyance, exchange or transfer of all or substantially all of the properties of the Corporation except in partial or complete redemption of any class of Junior Distribution Stock, or the

merger or consolidation of the Corporation into or with any other Corporation shall not be deemed a liquidation, dissolution or winding up for the purposes hereof.

(xi) *Certain Consents.* So long as any of the $8.625 Preferred Stock, Series A, is outstanding, the Corporation (a) without the consent of the holders of at least two-thirds of the outstanding shares of the $8.625 Preferred Stock, Series A, by a vote at a meeting of such holders or by written consent of such holders without a meeting, will not

(1) authorize the creation of or issue any class of Prior Stock, reclassify any class of stock so as to constitute it Prior Stock or increase the authorized amount of any class of Prior Stock theretofore authorized, or

(2) amend, alter or repeal (by any means including merger or consolidation) the provisions of the $8.625 Preferred Stock, Series A, so as to change its powers, preferences or special rights as a class as to voting; and

(b) without the consent of the holders of all of the outstanding shares of the $8.625 Preferred Stock, Series A, by a vote at a meeting of such holders or by written consent of such holders without a meeting, will not amend, alter or repeal (by any means including merger or consolidation) the provisions of the $8.625 Preferred Stock, Series A, so as to change its powers, preferences or special rights as a class as to dividend rates, the amount payable upon liquidation, dissolution or winding up or in respect of mandatory purchases or the time of payment in respect of dividends or mandatory purchases.

(xii) *Issuance of Parity Stock.* So long as any of the $8.625 Preferred Stock, Series A, is outstanding, the Corporation, without the consent of the holders of a majority of the outstanding shares of $8.625 Preferred Stock, Series A, by vote at a meeting of such holders or by written consent of such holders without a meeting, will not issue any shares of Parity Stock, unless, after giving effect to such issuance, (a) in the case of Parity Dividend Stock, consolidated net income of the Corporation and its Subsidiaries (meaning the aggregate of the net income of the Corporation and its Subsidiaries after eliminating all offsetting debits and credits between the Corporation and its Subsidiaries, all computed in accordance with generally accepted accounting principles) for either of the two fiscal years next preceding the year of such issuance shall have been at least equal to two times the sum of the aggregate annual dividend requirements on all shares of the $8.625 Preferred Stock, Series A, and Parity Dividend Stock and Prior Dividend Stock and on shares of any Subsidiary having fixed dividend requirements at the time outstanding plus the annual dividend requirements on the shares of Parity Dividend Stock to be issued, (b) in the case of Parity Distribution Stock, the sum of Junior Stock Equity shall be equal to at least 175% of the sum of the value upon involuntary liquidation of all shares of $8.625 Preferred Stock, Series A, and Parity Distribution Stock and Prior Distribution Stock at the time outstanding plus the value upon involuntary liquidation of the shares of Parity Distribution Stock to be issued, all computed in accordance with generally accepted accounting principles, and (c) no default shall exist in respect of payment of dividends on or mandatory purchases of the $8.625 Preferred Stock, Series A.

(xiii) *Merger, Certain Sales, etc.* So long as any of the $8.625 Preferred Stock, Series A, is outstanding, the Corporation, without the consent of the holders of a majority of the outstanding shares of all outstanding series of Preferred Stock, by vote at a meeting of such holders or by written consent of such holders without a meeting, (a) will not, and will not permit any Subsidiary to, be a party to any merger in which the Corporation or such Subsidiary is not the surviving corporation or the surviving corporation is not a subsidiary, unless the assets of such Subsidiary, individually and when aggregated with the assets of each other Subsidiary which has been a party to such a merger within the past year, comprise 5% or less of the total assets shown on a consolidated balance sheet of the Corporation and its Consolidated Subsidiaries and (b) will not, and will not permit any Subsidiary or Subsidiaries to, sell or otherwise dispose of all or substantially all of the assets of the Corporation or the consolidated assets of the Corporation and its Subsidiaries; provided, however, that in the event

any such consent required in respect of this paragraph is not obtained, the Corporation, simultaneously with the consummation of the merger or sale as to which such consent was sought, may redeem all (but not some) of the outstanding shares of $8.625 Preferred Stock, Series A, as to which the consent of the holders thereof was not obtained, pursuant to clause (b) of subparagraph (v) hereof without regard to the conditions of the proviso contained therein.

(xiv) *Definitions.* For the purposes hereof, the following terms shall have the following respective meanings:

"Consolidated Subsidiaries" shall mean all Subsidiaries which are included with the Corporation and its consolidated financial statements at any date or for any period in accordance with generally accepted accounting principles.

"Junior Distribution Stock" shall mean the Common Stock of the Corporation and any other stock of the Corporation ranking as to distribution of assets junior to the $8.625 Preferred Stock, Series A.

"Junior Dividend Stock" shall mean the Common Stock of the Corporation and any other stock ranking as to payment of dividends junior to the $8.625 Preferred Stock, Series A.

"Junior Stock Equity" shall mean the sum of the capital stock, capital surplus, warrant and retained earnings accounts of the Corporation and its Subsidiaries, as shown on a consolidated balance sheet of the Corporation and its Subsidiaries prepared in accordance with generally accepted accounting principles on a consolidated basis, after eliminating all treasury shares and after appropriate deductions for minority interests, if any, in Subsidiaries, less the aggregate involuntary liquidation value of all shares of stock of the Corporation other than Junior Distribution Stock.

"Junior Stock Payment" shall mean

(a) any dividend (other than a dividend payable in Common Stock) on any class of Junior Dividend Stock; or

(b) any redemption, purchase or other acquisition for value, or setting apart money for any mandatory purchase or other analogous fund for the redemption or purchase of, any shares of any class of Junior Distribution Stock, or any other distribution made in respect of any class of Junior Distribution Stock, either directly or indirectly.

"Preferred Stock" shall mean the Corporation's Preferred Stock, without par value.

"Parity Distribution Stock" shall mean any stock of the Corporation ranking as to distribution of assets on a parity with the $8.625 Preferred Stock, Series A.

"Parity Dividend Stock" shall mean any stock of the Corporation ranking as to payment of dividends on a parity with the $8.625 Preferred Stock, Series A.

"Parity Stock" shall mean Parity Dividend Stock or Parity Distribution Stock.

"Prior Distribution Stock" shall mean any stock of the Corporation ranking as to distribution of assets prior to the $8.625 Preferred Stock, Series A.

"Prior Dividend Stock" shall mean any stock of the Corporation ranking as to payment of dividends prior to the $8.625 Preferred Stock, Series A.

"Prior Stock" shall mean Prior Dividend Stock or Prior Distribution Stock.

"Subsidiary" shall mean any Corporation of which a majority of the Voting Securities is at the time directly or indirectly owned or controlled by the Corporation.

"Voting Securities" of any corporation shall mean the outstanding stock of such corporation having by the terms thereof ordinary voting power to elect a majority of the board of directors of

such corporation, irrespective of whether or not stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency.

ARTICLE V

CURRENT BOARD OF DIRECTORS

The number of directors constituting the current Board of Directors of the Corporation, as of the date of this Amended and Restated Certificate of Incorporation, is seven (7), and the names and addresses of such persons are:

Name of Director	Address
J. Landis Martin	3000 N. Sam Houston Pkwy. E., Houston, TX 77032
Kenneth R. Peak	3000 N. Sam Houston Pkwy. E., Houston, TX 77032
Glenn R. Simmons	3000 N. Sam Houston Pkwy. E., Houston, TX 77032
Harold C. Simmons	3000 N. Sam Houston Pkwy. E., Houston, TX 77032
John R. Sloan	3000 N. Sam Houston Pkwy. E., Houston, TX 77032
Michael A. Snetzer	3000 N. Sam Houston Pkwy. E., Houston, TX 77032
Elmo R. Zumwalt, Jr.	3000 N. Sam Houston Pkwy. E., Houston, TX 77032

ARTICLE VI

DURATION

The duration of the Corporation shall be perpetual.

ARTICLE VII

POWERS OF THE BOARD OF DIRECTORS; SHAREHOLDER APPROVAL OF CERTAIN ACTIONS

A. *Powers of the Board of Directors.*

(i) The Board of Directors shall have power to hold their meetings outside the State of New Jersey at such places as from time to time may be designated by the by-laws, or by resolution of the Board of Directors.

(ii) Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors.

(iii) Any other officer or employee of the Corporation may be removed at any time by vote of the Board of Directors or by any Committee or superior officer upon whom such power or removal may be conferred by the by-laws or by vote of the Board of Directors.

(iv) The Board of Directors by the affirmative vote of a majority of the whole Board of Directors may appoint from the Directors an Executive Committee, of which a majority shall constitute a quorum, and to such extent as shall be provided in the by-laws such Committee shall have and may exercise all or any of the powers of the Board of Directors, including power to cause the seal of the Corporation to be affixed to all papers that may require it.

(v) The Board of Directors by the affirmative vote of a majority of the whole Board of Directors, may appoint any other standing committees, and such standing committees shall have and may exercise such powers as shall be conferred or authorized by the by-laws.

(vi) The Board of Directors may appoint not only other officers of the Corporation, but also one or more Vice-Presidents, one or more Assistant Treasurers, and one or more Assistant Secretaries, and to the extent provided in the by-laws, the persons so appointed respectively shall have and may exercise all the powers of the President, of the Treasurer, and of the Secretary, respectively.

(vii) The Board of Directors shall have power from time to time to fix or to determine, and to vary the amount of the working capital of the Corporation, and to direct and determine the use and disposition of any surplus or net profits over and above the capital stock paid in, and in its discretion the Board of Directors may use and apply any such surplus or accumulated profits in purchasing or acquiring its own obligations to such extent and in such manner, and upon such terms as the Board of Directors shall deem expedient.

(viii) Subject always to the by-laws made by the shareholders, the Board of Directors may make by-laws from time to time, and may alter, amend or repeal any by-laws, but any by-laws made by the Board of Directors may be altered or repealed by the shareholders at any annual meeting or at any special meeting, provided notice of such alteration or repeal be included in the notice of the meeting.

B. *Shareholder Approval of Certain Actions.* Except as otherwise required by this Certificate:

(i) A plan of merger or a plan of consolidation approved by the Board of Directors and submitted to a vote of the shareholders of the Corporation at a meeting at which action is to be taken on any such plan, shall be approved upon receiving the affirmative vote of a majority of the votes cast by the holders of shares of the Corporation entitled to vote thereon, and, in addition, if any class or series of shares is entitled to vote thereon as a class, the affirmative vote of a majority of the votes cast in each class vote.

(ii) A sale, lease, exchange, or other disposition of all, or substantially all, the assets of the Corporation, if not in the usual and regular course of business as conducted by the Corporation, recommended by the Board of Directors and submitted to a vote of the shareholders of the Corporation at a meeting at which action is to be taken thereon, shall be approved upon receiving the affirmative vote of a majority of the votes cast by the holders of shares of the Corporation entitled to vote thereon, and, in addition, if any class or series of shares is entitled to vote thereon as a class, the affirmative vote of a majority of the votes cast in each class vote.

ARTICLE VIII

BOARD OF DIRECTORS

A. *Number, Election and Terms.* Except as otherwise fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, the number of the directors of the Corporation shall be not less than seven nor more than 17 persons. The exact number of directors within the minimum and maximum limitations specified in the first sentence of this Article VIII shall be fixed from time to time (i) except as provided in clause (ii) below, by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors or (ii) by the shareholders pursuant to a resolution adopted by a majority of the shareholders of the Corporation entitled to vote for the election of directors. All members of the Board of Directors elected after the Corporation's 1990 Annual Meeting shall serve one year terms and shall stand for election at each annual meeting of shareholders.

B. *Newly Created Directorships and Vacancies.* Except as otherwise fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, newly created directorships resulting from any increase in the number of directors may be filled by the Board of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, retirement, removal or other cause may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum of the Board of Directors, or by a sole remaining director; provided, however, that any vacancy resulting from an increase in the Board of Directors which is the result of a resolution adopted by the shareholders of the Corporation may be filled by the shareholders of the Corporation in accordance with the Act and

any other applicable provisions of this Amended and Restated Certificate of Incorporation. Any director chosen in accordance with the preceding sentence shall hold office until the next succeeding annual meeting of shareholders and until his successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. *Removal.* Subject to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, any director, or the entire Board of Directors, may be removed from office at any time by shareholders, with or without cause, only by the affirmative vote of the holders of a majority of the votes cast by the shareholders of the Corporation entitled to vote for the election of directors.

ARTICLE IX

Action of Shareholders by Written Consent; Special Meetings

A. *Action of Shareholders by Written Consent.* Any action required or permitted to be taken by the shareholders of the Corporation, other than the annual election of directors and the approval of certain other transactions which pursuant to the Act require the unanimous consent of all shareholders entitled to vote thereon, may be taken without a meeting upon the written consent of the shareholders who would have been entitled to cast the minimum number of votes which would be necessary to authorize such action at a meeting at which all of the shareholders of the Corporation entitled to vote thereon were present and voting, and any action so taken shall have the same force and effect for all purposes as if such action were taken at a meeting of the shareholders of the Corporation.

B. *Special Meetings of Shareholders.* Except as otherwise required by law and subject to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, special meetings of shareholders of the Corporation may be called (i) by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors, (ii) by the Chairman of the Board of Directors, the President or the Executive Committee of the Board of Directors, or (iii) by the holders of at least 10% of the shares of the Corporation that would be entitled to vote at such meeting.

ARTICLE X

Limitation of Liability

A director or officer of the Corporation shall not be personally liable to the Corporation or its shareholders for damages for breach of any duty owed to the Corporation or its shareholders, except that such provisions shall not relieve a director or officer from liability for any breach of duty based upon an act or omission (i) in breach of such person's duty of loyalty to the Corporation or its shareholders, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt by such person of an improper personal benefit. If the Act is amended after approval by the shareholders of this provision to authorize corporate action further eliminating or limiting the personal liability of directors or officers, then the liability of a director and/or officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the Act as so amended. Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

ARTICLE XI

Requirements for Certain Business Transactions; Exceptions

A. *Requirements for Certain Business Transactions.* In addition to any affirmative vote required by law or this Amended and Restated Certificate of Incorporation (including, without limitation, the provisions of paragraph B of Article VII hereof), and except as otherwise expressly provided in paragraph C of this Article XI:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) any Interested Shareholder or (b) any other corporation or other person (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate of an Interested Shareholder; or

(ii) any plan of exchange for all outstanding shares of the Corporation or any Subsidiary or for any class of shares of either with (a) any Interested Shareholder or (b) any other corporation or other person (whether or not itself an Interested Shareholder) who is, or after such plan of exchange would be, an Affiliate of an Interested Shareholder; or

(iii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of all or substantially all of the assets of the Corporation or any Subsidiary; or

(iv) the adoption of an plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by an Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require (i) the affirmative vote of the holders of at least a majority of the Common Stock, voting together as a single class, excluding from the number of shares deemed to be outstanding at the time of such vote and from such vote those shares which are beneficially owned, directly or indirectly, by all Interested Shareholders or any Affiliate of any Interested Shareholder and (ii) the opinion of a nationally recognized investment banking firm as to the fairness of the terms of the Business Transaction (as hereinafter defined) from a financial point of view to the holders of the outstanding shares of capital stock of the Corporation other than any Interested Shareholder and any Affiliate of any Interested Shareholder. The affirmative vote described in the previous sentence shall be required notwithstanding the fact that no vote may be required or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. *Definition of "Business Transaction".* The term "Business Transaction" as used in this Article XI shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of this Article XI.

C. *Exceptions.* The provisions of paragraph A of this Article XI shall not be applicable to any particular Business Transaction, and such Business Transaction shall require only such affirmative vote as is required by law and any other provision of this Amended and Restated Certificate of Incorporation, (i) if the Interested Shareholder is the beneficial owner of 90% or more of the voting power of the then outstanding Voting Stock, except that the requirement for an opinion of a nationally recognized investment banking firm as to the fairness of such transaction as described above shall continue to be

applicable, or (ii) if such Business Transaction is consummated after January 1, 1999, or (iii) if each of the following conditions are met: (a) the interest of the Interested Shareholder or any Affiliate of any Interested Shareholder in the transaction is solely that of a holder of the Corporation's securities and (b) the Interested Shareholder or any such Affiliate receives no benefit or consideration in the transaction as such which is not received proportionately by all holders of the same class of such securities, and (c) if, in the Business Transaction, the Interested Shareholder or an Affiliate of the Interested Shareholder receives any interest in a Subsidiary or a successor to the Corporation or any Subsidiary, the charter or similar governing instrument of such Subsidiary or successor contains provisions substantially identical to this Article XI hereof or if the charter of such Subsidiary or such successor does not so provide, the charter is amended on or prior to consummation of the Business Transaction to so provide.

D. *Certain Definitions.* For purposes of this Article XI:

(i) A "person" shall mean any individual, firm, corporation or other entity.

(ii) "Interested Shareholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(a) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(c) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(iii) A person shall be a "beneficial owner" of any Voting Stock:

(a) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (1) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (2) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(iv) For the purpose of determining whether a person is an Interested Shareholder pursuant to subparagraph (ii) of this paragraph D, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of subparagraph (iii) of this paragraph D but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(v) "*Affiliate*" or "*Associate*" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on September 16, 1988.

(vi) "*Subsidiary*" means any corporation, partnership or other unincorporated business organization of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; *provided, however*, that for the purposes of the definition of Interested Shareholder set forth in subparagraph (ii) of this paragraph D, the term "Subsidiary" shall mean only a corporation, partnership or other unincorporated business organization of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(vii) "*Continuing Director*" means any member of the Board of Directors of the Corporation (the "Board") who is unaffiliated with the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

(viii) "Voting Stock" means the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

E. *Powers of the Board of Directors.* The Continuing Directors of the Corporation shall have the power and duty to determine for the purposes of this Article XI, on the basis of information known to it after reasonable inquiry, (i) whether a person is an Interested Shareholder, (ii) the number of shares of Voting Stock beneficially owned by any person and (iii) whether a person is an Affiliate or Associate of another. Any such determination made in good faith shall be binding and conclusive on all parties.

F. *Effect on Fiduciary Obligations of Interested Shareholders.* Nothing contained in this Article XI shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

G. *Amendment or Repeal.* Notwithstanding any other provision of law, this Amended and Restated Certificate of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Amended and Restated Certificate of Incorporation or the by-laws of the Corporation), and in addition to any affirmative vote of the holders of Preferred Stock or any other class of capital stock of the Corporation or any series of any of the foregoing then outstanding which is required by law or by or pursuant to this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the Voting Stock, voting together as a single class (it being understood that for purposes of this Article XI, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article IV of this Amended and Restated Certificate of Incorporation), excluding from the number of shares deemed to be outstanding at the time of such vote and from such vote those shares which are beneficially owned, directly or indirectly, by any Interested Shareholder and any Affiliate of any Interested Shareholder, shall be required to amend or repeal this Article XI of this Amended and Restated Certificate of Incorporation.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation of the Corporation is executed and attested on behalf of NL Industries, Inc. by its officers hereunto duly authorized on this 28th day of June, 1990.

NL INDUSTRIES, INC.

By: J. Landis Martin
J. Landis Martin, President

ATTEST:

David B. Garten
David B. Garten, Secretary

CERTIFICATE

OF

NL INDUSTRIES, INC.

To: The Secretary of State
State of New Jersey

Pursuant to the provisions of Chapter 9 of Title 14A of the New Jersey Statutes, and particularly Section 14A:9-5(3), (4) and (5) thereof, NL Industries, Inc., a corporation organized under the laws of the State of New Jersey, hereby certifies that:

1. The name of the corporation is NL INDUSTRIES, INC. (the "Corporation").

2. The Board of Directors of the Corporation (the "Board"), at a meeting duly called and held on April 18, 1990, approved the Amended and Restated Certificate of Incorporation of the Corporation attached hereto as Exhibit "A" and directed that it be submitted to the shareholders of the Corporation.

3. The Amended and Restated Certificate of Incorporation of the Corporation was duly adopted by the shareholders of the Corporation at the Annual Meeting of Shareholders duly called and held on June 28, 1990 (the "Annual Meeting").

4. The number of shares of Common Stock, $1.25 par value, entitled to vote at the Annual Meeting on the adoption of the Amended and Restated Certificate of Incorporation was 66,101,414. Each such share entitled the record holder thereof to one vote per share. No shares of any class of securities of the Corporation are entitled to vote as a class. No other capital stock of the Corporation was entitled to vote.

5. At the Annual Meeting, the following votes were registered with respect to the adoption of the Amended and Restated Certificate of Incorporation of the Corporation:

FOR	-	56,622,962 shares
AGAINST	-	3,655,303 shares
ABSTAIN	-	2,120,371 shares

A quorum of the holders of Common Stock was present and voting at the Annual Meeting and the Amended and Restated

Certificate of Incorporation was duly adopted by the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of Common Stock of the Corporation.

6. The Amended and Restated Certificate of Incorporation shall become effective upon the date of filing with the Secretary of State of the State of New Jersey.

IN WITNESS WHEREOF, this Certificate to the Amended and Restated Certificate of Incorporation of the Corporation is executed and attested on behalf of the NL Industries, Inc. by its officers hereunto duly authorized on this 28th day of June, 1990.

NL INDUSTRIES, INC.

By: J. Landis Martin
J. Landis Martin, President

ATTEST:

David B. Garten
David B. Garten, Secretary

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ATTACHMENT 4

Copies of Documents relative to #4 Mine in Ottawa Co., Okla.

(from Box H-3816, in large Manila file folder)

November 20, 1940.

MEMORANDUM - PROPOSED SALE OF TRI-STATE PROPERTIES

Mr. McCallum has presented for the consideration of the Mining Committee a request by a representative of a large mining company in the Tri-State District that should we desire to sell these properties a price be submitted for each of the three operations. We believe that the reasons for the proposed purchase are to get a greater control of the Tri-State District, that the mining company involved believes there are substantial ore reserves in these properties and that they also believe they can operate efficiently and economically.

The National Lead Company has operated in the Tri-State District since 1915 and all of the mining has been done on land leases under different terms. We have worked out and abandoned tracts known as Nos. 1, 2, 3, 5, 6 and Weiss, which, on the whole, have been very profitable to the Company. We are at present operating tracts known as #4 and #8 and are developing for operation tract known as Waco, or #9. These last three locations are the subject of this memorandum inasmuch as these are the only Tri-State properties the National Lead Company is interested in at present.

The net remaining book values are as follows:-

Mine #4			
	Bldgs. & Equipment	$8,568.39	
	Lease & Development	-	$8,568.39
Mine #8			
	Bldgs. & Equipment	$272,858.38	
	Lease & Development	271,949.84	544,808.22
Waco			
	Bldgs. & Equipment	$196,660.54	
	Lease, Land and Development	574,285.03	770,945.57
	Total Remaining Investment		$1,324,322.18

Previous profits from the foregoing properties are:-

	Before Depreciation and Depletion	Depreciation & Depletion	Net Profits
Mine #4	$634,471.86	$202,716.84	$431,755.02
Mine #8	825,451.44	501,552.51	323,898.93
Waco	34,887.08	44,057.50	9,170.42
Total	$1,494,810.38	$748,326.85	$746,483.53

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MINE #8.

Based on $7.25 zinc and $5.65 lead, on which basis zinc concentrates have a value of $48.00 and lead concentrates a value of $68.86, the estimated operating profit on the ore reserves of Mine #8, as of November 1, 1940, of 2,006,768 tons of rock with a recovery of 3.86% zinc and .78% lead is $1,297,257.36. This would mean about 77,385 tons of zinc concentrates and 15,561 tons of lead concentrates which would probably take about four to five years to get out.

The larger mining interests in the Tri-State have already begun to mechanize their underground operations and from available data mining costs are reduced from 8 to 10¢ a rock ton thereby. On the estimated ore reserves this would amount to an additional profit of from $160,000.00 to $200,000.00.

It is possible that the proposed purchaser believes that fuller control of the output of the District would result in a higher price for concentrates. The overall profit, therefore, might reach a figure of $1,500,000.00 dependent upon the outcome of their method of operation and the factors mentioned. We recommend that the asking price for this property be $1,000,000.00.

MINE #4.

The reserves of Mine #4 are estimated at 76,000 tons of rock which should yield, at present prices, $98,147.03 based on recovery of 9.39 zinc and .66 lead. All the known ore in this mine has been taken out. This is an old mine which is nearing exhaustion. We may be able to follow faces for several years or we may run out of ore very shortly. We recommend that we ask $150,000.00 for this property, $25,000 to be payable in cash and the balance to be returned from one-half the net operating profit.

WACO (#9)

As of November 1, 1940, the ore reserve was 700,500 tons which on estimated recoveries would yield 32,747 tons of zinc concentrates and 570 tons of lead concentrates. At present metal markets of $48.00 for zinc concentrates and $68.86 for lead concentrates the mining of the estimated ore reserve on this property would result in a net operating profit of about $500,000.00. We recommend that the asking price of this property be $750,000.00. Although this does not seem fully justified by the estimated profit, our price is also influenced by the fact that this property still has opportunity to increase the ore reserve by further development. We are motivated also by the fact that our investment in this property is $780,000.00.

NLC 76

SUMMARY

The Mining Committee recommends that the Executive Committee authorize Mr. McCallum to negotiate for the sale of the Tri-State Properties with asking prices as follows:

Mine #4	$ 150,000.00
" #8	1,000,000.00
Waco	750,000.00
Total	$1,900,000.00

The Mining Committee also recommends that in his negotiations Mr. McCallum should obtain $1,000,000.00 of the eventual closing price in cash.

The Mining Committee.

NLC 77

November 14, 1940.

[redacted]

A large mining company has asked us to submit a price for our Tri-State mines if we decide to sell. Probably they wish to get greater control in the Tri-State District.

The net remaining book value of all of our Tri-State properties as of November 1, 1940 and the previous profits up to November 1, 1940 from these properties are as follows:

FINANCIAL DATA

	Original Investment	Less Depreciation & Depletion	Net Remaining Book Value to 11/1/40	Net Profits after Dep. & Depl. to 11/1/40
Mine #4	$11,285.43	$402,716.34	$ 3,568.39	$431,755.02
Mine #3	1,246,[illegible]0.73	501,554.51	544,[illegible]02.22	3[illegible],898.95
Waco	$15,003.07	44,057.50	770,945.57	[illegible]
Total	$1,[illegible]74,[illegible]89.03	$743,328.55	$1,3[illegible]4,3[illegible].18	$746,483.53

Based on present metal prices of 7.25 zinc and 5.25 lead and based on taking out the entire presently estimated ore reserves the profit, before deducting depreciation and depletion, would be as follows:

Mine #4	$ 93,147.03
Mine #3	1,[illegible]07,457.36
Waco	496,681.00
	$1,39[illegible],085.39

Finding of increased ore reserves, mechanization of operations and other factors may considerably increase these profits.

The Mining Committee recommends that Mr. McCallum be authorized to negotiate for the sale of the Tri-State Properties with asking prices as follows:

Mine #4	$ 150,000.00
Mine #3	1,000,000.00
Waco	750,000.00
	$1,900,000.00

It also recommends that Mr. McCallum obtain $1,000,000.00 of the eventual closing price in cash, balance to be paid out of future profits on some mutually satisfactory basis.

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Based on 20-year average metal markets, zinc 5.75, lead 6.43 and on present reserve estimates and present recoveries, it is the opinion of the Mining Committee that exhausting the properties over a period of 5 or 6 years, we probably cannot expect to take more than $750,000.00 from these properties by continuing to operate them ourselves.

The Mining Committee.

N4

ST. LOUIS SMELTING AND REFINING CO.

INTERNATIONAL OFFICE BUILDING

722 CHESTNUT STREET

ST. LOUIS

JEAN McCALLUM, VICE PRESIDENT
CHARLES A. GRISHAM, SECRETARY AND TREASURER

January 11, 1941

Mr. Fletcher W. Rockwell, President
National Lead Company
111 Broadway, New York, N.Y.

Dear Mr. Rockwell:

Mr. Evans has written a letter with a proposal for purchase of all of our Tri-State properties, including leases, stores and equipment, and other items owned by us in the District. This proposal is as follows:

> "A total purchase price of $500,000, payable $50,000 cash and the balance to be paid by applying one-half the profits from the operation of the properties, it being understood that no general overhead expense will be chargeable to the operation."

I will appreciate your advice as to future procedure. Mr. Evans' letter has been acknowledged with the statement the proposal will have due consideration.

It is obvious that Mr. Evans' principals have set a low starting price for further negotiations and hope to secure the properties at a low cash investment and make payment on a basis only a little better than royalty in amount and dependent on continued profitable operation.

For your information, our general overhead on the Tri-State operation averages about 23 cents per ton. A large portion of this would not be charged to expense under Mr. Evans' proposal.

Yours respectfully,

Jean McCallum.
Vice President.

JMcC

March 21, 1941

Mr. L. G. Reichhard, Chairman
Mining Committee

Dear Sir:

At a meeting of the Executive Committee held today the following resolution was adopted:

> RESOLVED, that this Committee concurs in the recommendation of the Mining Committee that the offer made for our Tri-State property, as noted in letter from Mr. Jean McCallum, Vice President, St. Louis Smelting & Refining Company, be refused.

Yours respectfully

Secretary

Copy to Mr. McCallum

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MINING COMMITTEE RECOMMENDATION

TRI STATE OPERATIONS - NO. 4 MINE

Owing to a steady decline in the grade of the remaining ore, nearly complete exhaustion of the ore bodies, higher costs and acute man-power shortage, there appears to be little possibility of continuing this property in profitable operation on Company account. A net profit of only $1,300 was realized in 1943. There is, however, a probability that the mine can be kept in profitable operation for sometime by responsible leasers and Mr. McCallum proposes, therefore, to sub-lease the mine, keeping the mill in operation on Company account to mill the ore produced by leasers and to continue to mill tailings.

The proposed sub-lease provides for:

1. A term to end December 1st 1945. (The expiration date of our lease on the property).

2. Use by leasers of all of our mining equipment.

3. Sale to us by leasers of all ore produced, at 70% of the cash value of the ore, including premiums, as determined by the sale of concentrates.

4. Payment by us, out of money accrueing to leasers through sale of ore to us, of 10% royalty due land owners.

5. Cancellation of sub-lease upon 10 days notice by either party should the arrangement not be mutually profitable.

The Mining Committee recommends that Mr. McCallum's proposed course be authorized.

MAR 9 1944

J. A. Botts

J. A. Reid

R. L. Hallett

February 28, 1944

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ST. LOUIS SMELTING AND REFINING WORKS
of National Lead Company
INTERNATIONAL OFFICE BUILDING
722 CHESTNUT STREET
ST. LOUIS

February 25, 1944

Mr. J. A. Martino, Assistant Comptroller
National Lead Company
BUILDING

Dear Mr. Martino:

During the past fourteen months the No. 4 Mine situated in Oklahoma, some four miles south of the Ballard Mill has been operating on a close margin, showing a loss part of the time and a profit during the latter part of 1943 due to allocations of a C-50 quota.

Effort has been made during 1943 to develop ore reserves through development work in several areas including the southwestern sections, where several thousand dollars have been expended in churn drilling.

Grade of ore has been decreasing throughout the year and tonnage has fallen off, due to man-power shortage. Costs have increased as tonnage has decreased.

Data covering the 1943 operations are shown below. Operations for January, 1944 showed a loss of a little more than $300.00.

Month 1943	Rock Tons	% Recovery Zinc	% Recovery Lead	Tons Concentrated Zinc	Tons Concentrated Lead	Operating and Net Profit
Jan.	3,354	6.11	.39	205.0	13.0	512.04
Feb.	3,103	5.45	.48	169.0	15.0	1485.04
Mar.	2,717	5.74	.26	156.0	7.0	2809.13
Apr.	3,282	5.97	.60	196.0	20.0	489.56
May	2,379	6.30	.29	126.00	6.92	5630.37
June	2,627	5.39	.28	142.0	7.00	4378.09
July	2,429	5.85	.14	142.04	3.42	15.46
Aug.	2,388	9.18	.25	219.30	5.89	12137.31
Sept.	2,436	5.53	.00	134.62	0.00	1630.74
Oct.	2,337	7.64	.00	178.55	0.00	5051.30
Nov.	2,784	5.51	.29	153.80	8.00	1222.84
Dec.	2,220	5.02	.00	111.54	0.00	2037.73
1943 Totals	32,054	6.03	.27	1933.41	86.96	1293.29

The main factors in the consideration of No. 4 Mine are listed below:

1. Ore Reserves: Drilling has shown some prospective

ore tonnage to the southwest. Development of this area would require either extensive drifting in ground which might not be productive, or a new shaft, road, ramp and hopper. This prospective ore reserve might be of considerable value, but must be proven. Whatever value it might have at the moment could change adversely by action of the Quota Committee.

2. Man-Power: Present man-power shortage makes it impossible to operate at a reasonable cost. Recent low productivity per man-shift places No. 4 Mine in class 2 under War Production Board classification. This means that available man-power is supplied to class 1 mines such as Ballard and some of the Eagle Picher mines before No. 4 mine receives any help. It is, therefore, impossible to increase production sufficiently to make satisfactory tonnage and costs.

3. Costs: The tabulated data above shows the steady increase in costs, decrease in tonnage of both ore and concentrates, and the adverse financial trend. The prospective new ore at still greater distance from the shaft offers little inducement in view of the man-power situation and the uncertainty of continued C-quotas.

4. Quotas: The present C-50 quota is undoubtedly as good as can be expected on this mine. A C-0 quota does not show profit at present costs and productions. In all probability the C-quota will be adversely modified or cut off within a few months.

5. Occupational Disease Liability: Oklahoma has no occupational disease laws. These cases are, therefore, an increasing hazard which becomes greater as proximity to shut down approaches.

6. Lease Possibilities: It has been the custom throughout many years in the Tri-State area to lease a property when it reaches a non-profitable or largely depleted condition. High grade leasers in the District are able to secure a man-power supply from applicants whom the companies cannot employ due to their higher physical requirements. We have contacted one of the best leasers in the District who has examined the mine and will make a contract with us as outlined in the accompanying copy of proposed lease. The benefits from carrying out this plan are appraised as follows:

   1. Prospective operating loss will be avoided.

   2. Probably one half of the man-power now used in No. 4 Mine (32) will agree to work at No. 8 Mine

64

JLC

where ample ore reserves exist and where our manpower is also short.

3. The greater part of the remainder who will not continue to work for us will secure employment elsewhere. The occupational disease hazard which almost certainly will develop on a general shutdown will be reduced proportionally.

4. All ore mined by leaser will be milled through the No. 4 mill at some assured profit.

5. The Mill will operate on such ore as is mined, plus all remaining time on tailings.

7. Summary: The No. 4 mill should operate throughout the larger portions of this year at a substantial profit. When the tailings pile is exhausted it will be shut down, unless the mine operations by leaser would justify part time operation. Occupational disease hazard would be reduced a substantial amount.

Recommendation

It is recommended that the enclosed lease be approved and mining operation cease at No. 4 Mine.

Yours very truly,

John McCallum
Manager

ILC 65

March 9, 1944

Mr. Jean McCallum, Manager
St. Louis Smelting & Refining Works

Dear Sir:

At a meeting of the Executive Committee held today the following resolution was adopted:

> RESOLVED, that the proposal submitted by Mr. Jean McCallum, Manager of the St. Louis Smelting & Refining Works, in letter of February 25, 1944 to Mr. J. A. Martino, Chairman, Mining Committee, to sublease that certain mining property known as the No. 4 Mine situated in Ottawa County, Oklahoma, be and the same is hereby approved.

Yours respectfully

Secretary

cc Mr. Martino, Chairman
Mining Committee

NLC 67-N4
18-52

(Excerpt from Executive Committee minutes of October 23, 1946)

Approval was given to the proposal submitted by the Mining Committee to sell to the C & M Mining Company, for a price of $15,000.00, the No. 4 mill and leased mining equipment in the Tri-State District and to assign the lease on No. 4 mining property at an overriding royalty of 2%.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ATTACHMENT 5

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required] - For the fiscal year ended December 31, 1994

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-640

NL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

New Jersey	13-5267260
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
16825 Northchase Drive, Suite 1200, Houston, Texas (Address of principal executive offices)	77060 (Zip Code)

Registrant's telephone number, including area code: (713) 423-3300

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock ($.125 par value)	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of February 28, 1995, 51,052,443 shares of common stock were outstanding. The aggregate market value of the 15,091,253 shares of voting stock held by nonaffiliates as of such date approximated $179 million.

Documents incorporated by reference:

The information required by Part III is incorporated by reference from the registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

PART I

ITEM 1. BUSINESS

General

NL Industries, Inc., organized as a New Jersey corporation in 1891, conducts its operations through its principal wholly-owned subsidiaries, Kronos, Inc. and Rheox, Inc. Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, hold 52% and 18%, respectively, of NL's outstanding common stock. Contran holds, directly or through subsidiaries, approximately 90% of Valhi's and 44% of Tremont's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of the children and grandchildren of Harold C. Simmons of which Mr. Simmons is the sole trustee. Mr. Simmons, the Chairman of the Board of NL and the Chairman of the Board, President and Chief Executive Officer of each of Contran and Valhi and a director of Tremont, may be deemed to control each of such companies. NL and its consolidated subsidiaries are sometimes referred to herein collectively as the "Company".

Kronos is the world's fourth largest producer of titanium dioxide pigments ("TiO_2") with an estimated 11% share of the worldwide market. Approximately one-half of Kronos' 1994 sales volume was in Europe, where Kronos is the second largest producer of TiO_2. Kronos accounted for 87% of the Company's sales and 72% of its operating income in 1994. Rheox is the world's largest producer of rheological additives for solvent-based systems, supplying an estimated 40% of the worldwide market.

The Company's objectives are to (i) focus on continued cost control, (ii) deleverage during the current up cycle and (iii) invest in certain cost effective debottlenecking projects to increase TiO_2 production capacity.

Kronos

Industry

Titanium dioxide pigments are chemical products used for imparting whiteness, brightness and opacity to a wide range of products, including paints, paper, plastics, fibers and ceramics. TiO_2 is considered to be a "quality-of-life" product with demand affected by the gross domestic product in various regions of the world.

Demand, supply and pricing of TiO_2 have historically been cyclical. The last cyclical peak for TiO_2 prices occurred in early 1990 with a cyclical low point reached in the third quarter of 1993. The Company's average selling prices for TiO_2 began an upward trend during 1994 and prices at the end of 1994 were about 10% higher than the 1993 low point, but were still approximately 26% below those of the last cyclical peak in 1990.

The Company believes that the TiO_2 industry has significant long-term potential. During the early 1990s, the TiO_2 industry operated at lower capacity utilization levels relative to the high utilization levels prevalent during the late 1980s, in part because of the slow recovery from the worldwide recession but primarily due to the impact of capacity additions since the late 1980s. The

Company expects that the TiO_2 industry will recover more slowly compared with the previous recovery in the late 1980s, primarily because of the more gradual nature of recent growth of the worldwide economy and the impact of capacity additions since the late 1980s. Recent improvements in economic growth rates have resulted in increased demand for TiO_2. Industry capacity utilization, which the Company believes was less than 90% during 1990 through 1993, was about 92% in 1994 and is continuing to rise due to improved demand.

Kronos has an estimated 18% share of European TiO_2 sales and an estimated 9% share of U.S. TiO_2 sales. Consumption per capita in the United States and Western Europe far exceeds that in other areas of the world and these regions are expected to continue to be the largest geographic markets for TiO_2 consumption. If the economies in Eastern Europe, the Far East and China continue to develop, a significant market for TiO_2 could emerge in those countries and Kronos believes that it is well positioned to participate in growth in the Eastern European market. Geographic segment information is contained in Note 3 to the Consolidated Financial Statements.

Products and operations

The Company believes that there are no effective substitutes for TiO_2. However, extenders such as kaolin clays, calcium carbonate and polymeric opacifiers are used in a number of Kronos' markets. Generally, extenders are used to reduce to some extent the utilization of higher cost TiO_2. The use of extenders has not significantly affected TiO_2 consumption over the past decade because extenders generally have, to date, failed to match the performance characteristics of TiO_2. The Company believes that the use of extenders will not materially alter the growth of the TiO_2 business in the foreseeable future.

Kronos currently produces over 40 different TiO_2 grades, sold under the *Kronos* and *Titanox* trademarks, which provide a variety of performance properties to meet customers' specific requirements. Kronos' major customers include international paint, paper and plastics manufacturers.

Kronos is one of the world's leading producers and marketers of TiO_2. Kronos and its distributors and agents sell and provide technical services for its products to over 5,000 customers with the majority of sales in Europe, the United States and Canada.

Kronos' international operations are conducted through Kronos International, Inc. ("KII"), a German-based holding company formed in 1989 to manage and coordinate the Company's manufacturing operations in Germany, Canada, Belgium and Norway, and its sales and marketing activities in over 100 countries worldwide. The Company believes that KII's structure allows it to capitalize on expertise and technology developed in Germany over a 60-year period.

Kronos and its predecessors have produced and marketed TiO_2 in North America and Europe for over 70 years. As a result, Kronos believes that it has developed considerable expertise and efficiency in the manufacture, sale, shipment and service of its products in domestic and international markets. By volume, one-half of Kronos' 1994 TiO_2 sales were to Europe, with 36% to North America and the balance to export markets.

Kronos is also engaged in the mining and sale of ilmenite ore (a raw material used in the sulfate pigment production process), and the manufacture and sale of iron-based water treatment chemicals (derived from co-products of the pigment production processes). Water treatment chemicals are used as treatment and conditioning agents for industrial effluents and municipal wastewater and in the manufacture of iron pigments.

Manufacturing process and raw materials

TiO_2 is manufactured by Kronos using either the chloride or sulfate pigment production process. Although most end-use applications can use pigments produced by either process, chloride process pigments are generally preferred in certain segments of the coatings and plastics applications, and sulfate process pigments are generally preferred for paper, fibers and ceramics applications. Due to environmental factors and customer considerations, the proportion of TiO_2 industry sales represented by chloride process pigments has increased relative to sulfate process pigments in the past few years. Approximately two-thirds of Kronos' current production capacity is based on an efficient chloride process technology.

Kronos produced 357,000 metric tons of TiO_2 in 1994, compared to 352,000 metric tons in 1993 and 358,000 metric tons in 1992. Kronos believes its annual attainable production capacity is approximately 380,000 metric tons, including its one-half interest in the joint venture-owned Louisiana plant (see "TiO_2 manufacturing joint venture"). The Company plans to spend $25 million in capital expenditures over the next three years for a debottlenecking project at its Leverkusen, Germany chloride process plant that is expected to increase the Company's annual attainable production capacity by 20,000 metric tons to approximately 400,000 tons in 1997.

The primary raw materials used in the TiO_2 chloride production process are chlorine, coke and titanium-containing feedstock derived from beach sand ilmenite and rutile. Chlorine and coke are available from a number of suppliers. Titanium-containing feedstock suitable for use in the chloride process is available from a limited number of suppliers around the world, principally in Australia, Africa, India and the United States. Kronos purchases slag refined from beach sand ilmenite from Richards Bay Iron and Titanium (Proprietary) Ltd. (South Africa), approximately 50% of which is owned by Q.I.T. Fer et Titane Inc. ("QIT"), an indirect subsidiary of RTZ Corp. Natural rutile ore is purchased primarily from suppliers located in Australia and Africa.

The primary raw materials used in the TiO_2 sulfate production process are sulfuric acid and titanium-containing feedstock derived primarily from rock and beach sand ilmenite. Sulfuric acid is available from a number of suppliers. Titanium-containing feedstock suitable for use in the sulfate process is available from a limited number of suppliers around the world. Currently, the principal active sources are located in Norway, Canada, Australia, India and South Africa. As one of the few vertically-integrated producers of sulfate process pigments, Kronos operates a rock ilmenite mine near Hauge i Dalane, Norway, which provided all of Kronos' feedstock for its European sulfate process pigment plants in 1994. Kronos' mine is also a commercial source of rock ilmenite for other sulfate process producers in Europe. The Company believes it supplies nearly 40% of the Western European demand, including the Company, for sulfate feedstock. Kronos also purchases sulfate grade slag under contracts negotiated annually with QIT and Tinfos Titanium and Iron K/S.

Kronos believes the availability of titanium-containing feedstock for both the chloride and sulfate processes is adequate in the near term; however, tightening supplies for the chloride process may be encountered in the late 1990s. Kronos does not anticipate experiencing any interruptions of its raw material supplies.

TiO_2 manufacturing joint venture

In October 1993, Kronos formed a manufacturing joint venture with Tioxide Group, Ltd., a wholly-owned subsidiary of Imperial Chemicals Industries PLC ("Tioxide"). The joint venture, which is equally owned by subsidiaries of Kronos and Tioxide (the "Partners"), owns and operates the Louisiana chloride process TiO_2 plant formerly owned by Kronos. Production from the plant is shared equally by Kronos and Tioxide pursuant to separate offtake agreements.

A supervisory committee, composed of four members, two of whom are appointed by each Partner, directs the business and affairs of the joint venture, including production and output decisions. Two general managers, one appointed and compensated by each Partner, manage the day-to-day operations of the joint venture acting under the direction of the supervisory committee.

The manufacturing joint venture is intended to be operated on a break-even basis and, accordingly, Kronos' transfer price for its share of the TiO_2 produced is equal to its share of the joint venture's production costs and interest expense. Kronos' share of the production costs are reported as cost of sales as the related TiO_2 acquired from the joint venture is sold, and its share of the joint venture's interest expense is reported as a component of interest expense.

Competition

The TiO_2 industry is highly competitive. During the late 1980s worldwide demand approximated available supply and the major producers, including Kronos, were operating at or near available capacity and customers generally were served on an allocation basis. During the early 1990s, supply exceeded demand, primarily due to new chloride process capacity coming on-stream. Relative supply/demand relationships, which had a favorable impact on industry-wide prices during the late 1980s, had a negative impact during the recent downward cycle. During 1994, demand growth resulting from improved economic conditions, coupled with limited capacity increases, improved industry capacity utilization to about 92% and resulted in increases in worldwide prices. During the last upturn cycle, which ended in early 1990, peak average TiO_2 prices were about 70% higher than the previous trough.

New plant capacity additions in the worldwide TiO_2 market are slow to develop because of the significant capital expenditures and substantial lead time (typically three to five years in the Company's experience) for, among other things, planning, obtaining environmental approvals and construction.

Kronos competes primarily on the basis of price, product quality and technical service, and the availability of high performance pigment grades. Although certain TiO_2 grades are considered specialty pigments, the majority of grades and substantially all of Kronos' production are considered commodity pigments with price generally being the most significant competitive factor. Kronos has an estimated worldwide TiO_2 market share of 11%, and believes that it is the leading marketer of TiO_2 in a number of countries, including Germany and Canada.

Kronos' principal competitors are E.I. du Pont de Nemours & Co. ("DuPont"); Imperial Chemical Industries PLC (Tioxide); Hanson PLC (SCM Chemicals); Kemira Oy; Ishihara Sangyo Kaisha, Ltd.; Bayer AG; Thann et Mulhouse; and Kerr-McGee Corporation. These eight competitors have estimated individual worldwide market shares ranging from 4% to 21%, and an estimated aggregate 74% share. DuPont has over one-half of total U.S. TiO_2 production capacity and is Kronos' principal North American competitor.

Kronos has completed a major environmental protection and improvement program that commenced in the early 1980s to replace or modify its TiO_2 production facilities for compliance with various environmental laws by their respective effective dates. All of Kronos' plants now use either the low waste-yielding chloride process, or the sulfate process with reprocessing or neutralization of waste acid. Although these upgrades increased operating costs, they are expected to reduce future capital expenditures that Kronos would otherwise need to incur as environmental standards are increased. See "Regulatory and Environmental Matters".

Rheox

Products and operations

Rheological additives control the flow and leveling characteristics for a variety of products, including paints, inks, lubricants, sealants, adhesives and cosmetics. Organoclay rheological additives are clays which have been chemically reacted with organic chemicals and compounds. Rheox produces rheological additives for both solvent-based and water-based systems. Rheox believes it is the world's largest producer of rheological additives for solvent-based systems, supplying approximately 40% of the worldwide market, and is also a supplier of rheological additives used in water-based systems. Rheological additives for solvent-based systems accounted for 84% of Rheox's sales in 1994, with the remainder being principally rheological additives for water-based systems. Rheox introduced a number of new products during the past three years, many of which are for water-based systems, which currently represent a larger portion of the market than solvent-based systems. As a result, the portion of Rheox's sales representing additives for water-based systems has increased from 10% to 16% during the past few years. The Company believes water-based additives will account for an increasing portion of the market in the long term. Rheox also focused on product development for environmental applications with new products introduced for non-volatile additives in both water-based and solvent-based coatings.

Sales of rheological additives generally follow overall economic growth in Rheox's principal markets and are influenced by the volume of shipments of the worldwide coatings industry. Since Rheox's rheological additives are used in industrial coatings, plant and equipment spending has an influence on demand for this product line.

Manufacturing process and raw materials

The primary raw materials utilized in the production of rheological additives are bentonite clays, hectorite clays, quaternary amines, polyethylene waxes and castor oil derivatives. Bentonite clays are currently purchased under a three-year contract, renewable through 2004, with a subsidiary of Dresser Industries, Inc. ("Dresser"), which has significant bentonite reserves in

Wyoming. This contract assures Rheox the right to purchase its anticipated requirements of bentonite clays for the foreseeable future, and Dresser's reserves are believed to be sufficient for such purpose. Hectorite clays are mined from Company-owned reserves in Newberry Springs, California, which the Company believes are adequate to supply its needs for the foreseeable future. The Newberry Springs ore body contains the largest known commercial deposit of hectorite clays in the world. Quaternary amines are purchased primarily from a joint venture company 50%-owned by Rheox and are also generally available on the open market from a number of suppliers. Castor oil-based rheological additives are purchased from sources in the United States and abroad. Rheox has a supply contract with a manufacturer of these products which may not be terminated without 180 days notice by either party.

Competition

Competition in the specialty chemicals industry is generally concentrated in the areas of product uniqueness, quality and availability, technical service, knowledge of end-use applications and price. Rheox's principal competitors for rheological additives for solvent-based systems are Laporte PLC and Sud-Chemie AG. Rheox's principal competitors for water-based systems are Rohm and Haas Company, Hercules Incorporated, The Dow Chemical Company and Union Carbide Corporation.

Research and Development

The Company's annual expenditures for research and development and technical support programs have averaged approximately $10 million annually during the past three years with Kronos accounting for approximately three-quarters of the annual spending. Research and development activities related to TiO_2 are conducted principally at the Leverkusen, Germany facility. Such activities are directed primarily toward improving both the chloride and sulfate production processes, improving product quality and strengthening Kronos' competitive position by developing new pigment applications. Activities relating to rheological additives are conducted primarily in the United States and are directed towards the development of new products for water-based systems, environmental applications and new end-use applications for existing product lines.

Patents and Trademarks

Patents held for products and production processes are believed to be important to the Company and contribute to the continuing business activities of Kronos and Rheox. The Company continually seeks patent protection for its technical developments, principally in the United States, Canada and Europe, and from time to time enters into licensing arrangements with third parties. In connection with the formation of the manufacturing joint venture with Tioxide, Kronos and certain of its subsidiaries exchanged proprietary chloride process and product technologies with Tioxide and certain of its affiliates. Use by each recipient of the other's technology in Europe is restricted until October 1996. See "Kronos - TiO_2 manufacturing joint venture".

The Company's major trademarks, including *Kronos*, *Titanox* and *Rheox*, are protected by registration in the United States and elsewhere with respect to those products it manufactures and sells.

Foreign Operations

The Company's chemical businesses have operated in international markets since the 1920s. Most of Kronos' current production capacity is located in Europe and Canada, and approximately one-third of Rheox's sales in the past three years have been attributable to European production. Approximately three-quarters of the Company's 1994 consolidated sales were attributable to non-U.S. customers, including 13% attributable to customers in areas other than Europe and Canada. Foreign operations are subject to, among other things, currency exchange rate fluctuations and the Company's results of operations have in the past been both favorably and unfavorably affected by fluctuations in currency exchange rates. Effects of fluctuations in currency exchange rates on the Company's results of operations are discussed in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Political and economic uncertainties in certain of the countries in which the Company operates may expose it to risk of loss. The Company does not believe that there is currently any likelihood of material loss through political or economic instability, seizure, nationalization or similar event. The Company cannot predict, however, whether events of this type in the future could have a material effect on its operations. The Company's manufacturing and mining operations are also subject to extensive and diverse environmental regulation in each of the foreign countries in which they operate. See "Regulatory and Environmental Matters".

Customer Base and Seasonality

The Company believes that neither its aggregate sales nor those of any of its principal product groups are concentrated in or materially dependent upon any single customer or small group of customers. Neither the Company's business as a whole nor that of any of its principal product groups is seasonal to any significant extent. Due in part to the increase in paint production in the spring to meet the spring and summer painting season demand, TiO_2 sales are generally higher in the second and third calendar quarters than in the first and fourth calendar quarters. Sales of rheological additives are influenced by the worldwide industrial protective coatings industry, where second calendar quarter sales are generally the strongest.

Employees

As of December 31, 1994, the Company employed approximately 3,100 persons (down from approximately 3,200 at December 31, 1993), excluding the joint venture employees, with approximately 400 employees in the United States and approximately 2,700 at sites outside the United States. Hourly employees in production facilities worldwide are represented by a variety of labor unions, with labor agreements having various expiration dates. The Company believes its labor relations are good.

Regulatory and Environmental Matters

Certain of the Company's businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws. As with other companies engaged in similar businesses, certain past and current operations and products of the Company have the potential to cause environmental or other damage. The Company has implemented and continues to implement various policies and programs in an effort to minimize these risks. The policy of the Company is to achieve compliance with applicable environmental laws and regulations at all its facilities and to strive to improve its environmental performance. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could adversely affect the Company's production, handling, use, storage, transportation, sale or disposal of such substances.

The Company's U.S. manufacturing operations are governed by federal environmental and worker health and safety laws and regulations, principally the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA"), as well as the state counterparts of these statutes. The Company believes that all of its U.S. plants and the Louisiana plant owned and operated by the joint venture are in substantial compliance with applicable requirements of these laws. From time to time, the Company's facilities may be subject to environmental regulatory enforcement under such statutes. Resolution of such matters typically involves the establishment of compliance programs. Occasionally, resolution may result in the payment of penalties, but to date such penalties have not involved amounts having a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company's European and Canadian production facilities operate in an environmental regulatory framework in which governmental authorities typically are granted broad discretionary powers which allow them to issue operating permits required for the plants to operate. The Company believes that all its plants are in substantial compliance with applicable environmental laws.

While the laws regulating operations of industrial facilities in Europe vary from country to country, a common regulatory denominator is provided by the European Union (the "EU"). Germany, Belgium and the United Kingdom, members of the EU, follow the initiatives of the EU. Norway, although not a member, generally patterns its environmental regulatory actions after the EU. The Company believes that Kronos is in substantial compliance with agreements reached with European environmental authorities and with an EU directive to control the effluents produced by TiO_2 production facilities. The Company believes that Rheox is in substantial compliance with the environmental regulations in Germany and the United Kingdom.

In order to reduce sulfur dioxide emissions into the atmosphere, Kronos is currently installing off-gas desulfurization systems at its German and Norwegian plants at an estimated cost of $32 million and expects to complete the systems in 1996. Kronos intends to install a $10 million off-gas desulfurization system at its Belgian plant by 1998. The manufacturing joint venture has installed a $17 million off-gas desulfurization system at the Louisiana plant which commenced operation in early 1995. In addition, Kronos expects to complete an $11 million water treatment chemical purification project at its Leverkusen, Germany facility in 1996.

Kronos' ilmenite mine near Hauge i Dalane had a permit for the offshore disposal of tailings through February 1994. In February 1994, Kronos completed an onshore disposal system to replace the offshore disposal of tailings.

The Quebec provincial government has environmental regulatory authority over Kronos' Canadian chloride and sulfate process TiO_2 production facilities in Varennes, Quebec. The provincial government regulates discharges into the St. Lawrence River. In May 1992, the Quebec provincial government extended Kronos' right to discharge effluents from its Canadian sulfate process TiO_2 plant into the St. Lawrence River until June 1994. Kronos completed a new $25 million waste acid neutralization facility and discontinued discharging waste acid effluents into the St. Lawrence River in June 1994. Notwithstanding the above-described agreement, in March 1993 Kronos' Canadian subsidiary and two of its directors were charged by the Canadian federal government with five violations of the Canadian Fisheries Act relating to discharges into the St. Lawrence River from the Varennes sulfate process TiO_2 production facility. The penalty for these violations, if proven, could be up to Canadian $15 million. Additional charges, if brought, could involve additional penalties. The Company has moved to dismiss the case. The Company believes that this charge is inconsistent with the extension granted by provincial authorities, referred to above.

The Company's future capital expenditures related to its ongoing environmental protection and improvement program are currently expected to be approximately $57 million, including $33 million in 1995.

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, pursuant to CERCLA and similar state laws, in approximately 80 governmental enforcement and private actions associated with waste disposal sites and facilities currently or previously owned, operated or used by the Company, many of which are on the U.S. Environmental Protection Agency's Superfund National Priorities List or similar state lists. See Item 3 - "Legal Proceedings".

ITEM 2. PROPERTIES

Kronos currently operates four TiO_2 facilities in Europe (Leverkusen and Nordenham, Germany; Langerbrugge, Belgium; and Fredrikstad, Norway). In North America, Kronos has a facility in Varennes, Quebec, Canada and, through the manufacturing joint venture described above, a one-half interest in a plant in Lake Charles, Louisiana which commenced production in 1992. Certain of the Company's properties collateralize long-term debt agreements. See Note 10 to the Consolidated Financial Statements.

Kronos' principal German operating subsidiary leases the land under its Leverkusen TiO_2 production facility pursuant to a lease expiring in 2050. The Leverkusen facility, with approximately one-third of Kronos' current TiO_2 production capacity, is located within the lessor's extensive manufacturing complex, and Kronos is the only unrelated party so situated. Under a separate supplies and services agreement, which expired in 1991 and to which an extension through 2011 has been agreed in principle, the lessor provides some raw materials, auxiliary and operating materials and utilities services necessary to operate the Leverkusen facility. Kronos and the lessor are continuing discussions regarding a definitive agreement for the extension of the supplies and services agreement. Both the lease and the supplies and services agreement restrict Kronos' ability to transfer ownership or use of the Leverkusen facility.

All of Kronos' principal production facilities described above are owned, except for the land under the Leverkusen facility. Kronos has a governmental concession with an unlimited term to operate its ilmenite mine in Norway.

Specialty chemicals are produced by Rheox at facilities in Charleston, West Virginia; Newberry Springs, California; St. Louis, Missouri; Livingston, Scotland and Nordenham, Germany. All of such production facilities are owned.

ITEM 3. LEGAL PROCEEDINGS

Lead pigment litigation

The Company was formerly involved in the manufacture of lead pigments for use in paint and lead-based paint. The Company has been named as a defendant or third party defendant in various legal proceedings alleging that the Company and other manufacturers are responsible for personal injury and property damage allegedly associated with the use of lead pigments. The Company is vigorously defending such litigation. Considering the Company's previous involvement in the lead pigment and lead-based paint businesses, there can be no assurance that additional litigation, similar to that described below, will not be filed. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to (a) impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and (b) effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. One such bill that would subject lead pigment manufacturers to civil liability for damages caused by lead-based paint on the basis of market share, and that extends certain statutes of limitations, passed the Massachusetts House of Representatives in 1993. The same bill, reintroduced in the Massachusetts legislature in 1994 and defeated in the House of Representatives, was again reintroduced in 1995. No legislation or regulations have been enacted to date which are expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company has not accrued any amounts for the pending lead pigment litigation. Although no assurance can be given that the Company will not incur future liability in respect of this litigation, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment litigation is without merit. Liability, if any, that may result is not reasonably capable of estimation.

In 1989 and 1990, the Housing Authority of New Orleans ("HANO") filed third-party complaints for indemnity and/or contribution against the Company, other alleged manufacturers of lead pigment (together with the Company, the "pigment manufacturers") and the Lead Industries Association (the "LIA") in 14 actions commenced by residents of HANO units seeking compensatory and punitive damages for injuries allegedly caused by lead pigment. The actions in the Civil District Court for the Parish of Orleans, State of Louisiana were dismissed by the district court in 1990. Subsequently, HANO agreed to consolidate all the cases and appealed eleven of them. In March 1992, the Louisiana Court of Appeals, Fourth Circuit, dismissed HANO's appeal as untimely with respect to three of these cases. With respect to the other eight cases included in the appeal, the court of appeals reversed the lower court decision dismissing the cases due to inadequate pleading of facts. These eight cases have been remanded to the district court for further proceedings. In November 1994, the district court granted defendants' motion for summary judgment in one of the eight remaining cases.

In December 1991, the Company received a copy of a complaint filed in the Civil District Court for the Parish of Orleans seeking indemnification and/or contribution against the Company and eight other defendants for approximately $4.5 million in settlements paid to HANO residents (*Housing Authority of New Orleans v. Hoechst Celanese Corp., et al.*, No. 91-28067). These claims appear to be based upon the same theories which HANO had previously filed. The Company has not been served.

In June 1989, a complaint was filed in the Supreme Court of the State of New York, County of New York, against the pigment manufacturers and the LIA. Plaintiffs seek damages, contribution and/or indemnity in an amount in excess of $50 million for monitoring and abating alleged lead paint hazards in public and private residential buildings, diagnosing and treating children allegedly exposed to lead paint in city buildings, the costs of educating city residents to the hazards of lead paint, and liability in personal injury actions against the City and the Housing Authority based on alleged lead poisoning of city residents (*The City of New York, the New York City Housing Authority and the New York City Health and Hospitals Corp. v. Lead Industries Association, Inc., et al.*, No. 89-4617). In December 1991, the court granted the defendants' motion to dismiss claims alleging negligence and strict liability and denied the remainder of the motion. In January 1992, defendants appealed the denial. The Company has answered the remaining portions of the complaint denying all allegations of wrongdoing, and the case is in discovery. In December 1992, plaintiffs filed a motion to stay the claims of the City of New York and the New York City Health and Hospitals Corporation pending resolution of the Housing Authority's claim. In May 1993, the Appellate Division of the Supreme Court affirmed the denial of the motion to dismiss plaintiffs' fraud, restitution, conspiracy and concert of action claims. In August 1993, the defendants' motion for leave to appeal was denied. In May 1994, the trial court granted the defendants' motion to dismiss the plaintiffs' restitution and indemnification claims, and plaintiffs have appealed. Defendants have moved for summary judgment on the remaining fraud claim.

In March 1992, the Company was served with a complaint in *Skipworth v. Sherwin-Williams Co., et al.* (No. 92-3069), Court of Common Pleas, Philadelphia County. Plaintiffs are a minor and her legal guardians seeking damages from lead paint and pigment producers, the LIA, the Philadelphia Housing Authority and the owners of the plaintiffs' premises for bodily injuries allegedly suffered by the minor from lead-based paint. Plaintiffs' counsel has asserted that approximately 200 similar complaints would be served shortly, but no such complaints have yet been served. In April 1994, the court granted defendants' motion for summary judgment and plaintiffs appealed that decision in June 1994.

In August 1992, the Company was named as a defendant and served with an amended complaint in *Jackson, et al. v. The Glidden Co., et al.*, Court of Common Pleas, Cuyahoga County, Cleveland, Ohio (Case No. 236835). Plaintiffs seek compensatory and punitive damages for personal injury caused by the ingestion of lead, and an order directing defendants to abate lead-based paint in buildings. Plaintiffs purport to represent a class of similarly situated persons throughout the State of Ohio. The amended complaint identifies 18 other defendants who allegedly manufactured lead products or lead-based paint, and asserts causes of action under theories of strict liability, negligence per se, negligence, breach of express and implied warranty, fraud, nuisance, restitution, and negligent infliction of emotional distress. The complaint asserts several theories of liability including joint and several, market share, enterprise and alternative

liability. In October 1992, the Company and the other defendants moved to dismiss the complaint with prejudice. In July 1993, the court dismissed the complaint. In December 1994, the Ohio Court of Appeals reversed the trial court dismissal and remanded the case to the trial court.

In November 1993, the Company was served with a complaint in *Brenner, et al. v. American Cyanamid, et al.*, Supreme Court, State of New York, Erie County alleging injuries to two children purportedly caused by lead pigment. The complaint seeks $24 million in compensatory and $10 million in punitive damages for alleged negligent failure to warn, strict products liability, fraud and misrepresentation, concert of action, civil conspiracy, enterprise liability, market share liability, and alternative liability. In January 1994, the Company answered the complaint, denying liability. Discovery is proceeding.

In January 1995, the Company was served with complaints in *Wright (Alvin)* and *Wright (Allen) v. Lead Industries, et. al.*, (Nos. 94-363042 and 363043), Circuit Court, Baltimore City, Maryland. Plaintiffs are two brothers (one deceased) who allege injuries due to exposure to lead pigment. Each complaint seeks more than $100 million in compensatory and punitive damages for alleged strict liability, breach of warranty, negligence, conspiracy and fraud claims.

The Company believes that the foregoing lead pigment actions are without merit and intends to continue to deny all allegations of wrongdoing and liability and to defend such actions vigorously.

The Company has filed declaratory judgment actions against various insurance carriers seeking costs of defense and indemnity coverage for certain of its environmental and lead pigment litigation. *NL Industries, Inc. v. Commercial Union Insurance Cos., et al.*, Nos. 90-2124, -2125 (HLS). In May 1990, the Company filed an action in the United States District Court for the District of New Jersey against Commercial Union Insurance Company ("Commercial Union") seeking to recover defense costs incurred in the *City of New York* lead pigment case and two other cases which have since been resolved in the Company's favor. In July 1991, the court granted the Company's motion for summary judgment and ordered Commercial Union to pay the Company's reasonable defense costs for such cases. In June 1992, the Company filed an amended complaint in the United States District Court for the District of New Jersey against Commercial Union seeking to recover costs incurred in defending four additional lead pigment cases which have since been resolved in the Company's favor. In August 1993, the court granted the Company's motion for summary judgment and ordered Commercial Union to pay the reasonable costs of defending those cases. In July 1994, the court entered judgment on the order requiring Commercial Union to pay previously-incurred Company costs in defending those cases. Commercial Union has appealed. Other than a magistrate's recommendation to grant motions for summary judgment brought by two excess insurance carriers, which contended that their policies contained unique pollution exclusion language, and a grant by the court of certain motions regarding policy periods, the court has not made any rulings on defense costs or indemnity coverage with respect to the Company's pending environmental litigation or on indemnity coverage in the lead pigment litigation. No trial dates have been set. Other than rulings to date, the issue of whether insurance coverage for defense costs or indemnity or both will be found to exist depends upon a variety of factors, and there can be no assurance that such insurance coverage will exist in other cases. The Company has not considered any insurance recoveries for lead pigment or environmental litigation in determining related accruals.

Environmental matters and litigation

The Company has been named as a defendant, PRP, or both, pursuant to CERCLA and similar state laws in approximately 80 governmental and private actions associated with waste disposal sites and facilities currently or previously owned, operated or used by the Company, or its subsidiaries, or their predecessors, many of which are on the U.S. Environmental Protection Agency's ("U.S. EPA") Superfund National Priorities List or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage, or both. Certain of these proceedings involve claims for substantial amounts. Although the Company may be jointly and severally liable for such costs, in most cases it is only one of a number of PRPs who are also jointly and severally liable. In addition to the matters noted above, certain current and former facilities of the Company, including several divested secondary lead smelter and former mining locations, are the subject of environmental investigations or litigation arising out of industrial waste disposal practices and mining activities.

The extent of CERCLA liability cannot be determined until the Remedial Investigation and Feasibility Study ("RIFS") is complete, the U.S. EPA issues a record of decision and costs are allocated among PRPs. The extent of liability under analogous state cleanup statutes and for common law equivalents are subject to similar uncertainties. The Company believes it has provided adequate accruals for reasonably estimable costs for CERCLA matters and other environmental liabilities. At December 31, 1994, the Company had accrued $87 million in respect of those environmental matters which are reasonably estimable. The Company determines the amount of accrual on a quarterly basis by analyzing and estimating the range of possible costs to the Company. Such costs include, among other things, remedial investigations, monitoring, studies, clean-up, removal and remediation. It is not possible to estimate the range of costs for certain sites. The Company has estimated that the upper end of the range of reasonably possible costs to the Company for sites for which it is possible to estimate costs is approximately $160 million. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes respecting site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. Further, there can be no assurance that additional environmental matters will not arise in the future. More detailed descriptions of certain legal proceedings relating to environmental matters are set forth below.

The Company has been identified as a PRP by the U.S. EPA because of its former ownership of three secondary lead smelters (battery recycling plants) in Pedricktown, New Jersey; Granite City, Illinois; and Portland, Oregon. In all three matters, the Company voluntarily entered into administrative consent orders with the U.S. EPA requiring the performance of a RIFS, a study with the objective of identifying the nature and extent of the hazards, if any, posed by the sites, and selecting a remedial action, if necessary.

At Pedricktown, the U.S. EPA divided the site into two operable units. Operable unit one covers contaminated ground water, surface water, soils and stream sediments. The Company submitted the final RIFS for operable unit one to the U.S. EPA in May 1993. In July 1994, the U.S. EPA issued the Record of Decision for operable unit one. The U.S. EPA estimates the cost to complete operable unit one is $18.7 million. The U.S. EPA has not yet issued a notice or an order requiring implementation of operable unit one. In addition, the U.S. EPA has completed the fifth phase of a removal action on the soils and sediments of a stream at the site, at an estimated total cost of $2 million. The U.S. EPA issued a Unilateral Administrative Order (Index No. II-CERCLA 20205) with respect to operable unit two in March 1992 to the Company and 30 other PRPs directing immediate removal activities including the cleanup of waste, surface water and building surfaces. The Company has complied with the order, and the work with respect to operable unit two is nearing completion. The Company has paid approximately 50% of operable unit two costs, or $2.5 million.

At Granite City, the RIFS is complete, and in 1990 the U.S. EPA selected a remedy estimated to cost approximately $28 million. In July 1991, the United States filed an action in the U.S. District Court for the Southern District of Illinois against the Company and others (*United States of America v. NL Industries, Inc., et al.*, Civ. No. 91-CV 00578) with respect to the Granite City smelter. The complaint seeks injunctive relief to compel the defendants to comply with an administrative order issued pursuant to CERCLA, and fines and treble damages for the alleged failure to comply with the order. The Company and the other parties did not comply with the order believing that the remedy selected by the U.S. EPA was invalid, arbitrary, capricious and not in accordance with law. The complaint also seeks recovery of past costs of $.3 million and a declaration that the defendants are liable for future costs. Although the action was filed against the Company and ten other defendants, there are 330 other PRPs who have been notified by the U.S. EPA. Some of those notified were also respondents to the administrative order. In February 1992, the court entered a case management order directing that the remedy issues be tried before the liability aspects are presented. In August 1994, when the U.S. EPA reinitiated the residential yard soils remediation in Granite City after an agreed-upon stay of the cleanup pending completion of a health study and reopening of the administrative record, the PRPs and the City of Granite City sought an injunction against the U.S. EPA to prevent further cleanup until after the record was reopened for submittal of additional comments on the selected remedy. In October 1994, the U.S. EPA issued its proposed plan for addressing residential yard soils in Granite City. The U.S. EPA presented no estimate of costs for this work. The administrative record was reopened for public comment, and the Company, along with other PRPs, submitted extensive comments on the proposed residential soils cleanup plan. In February 1995, the U.S. EPA issued its proposed plan for the Main Industrial Area, the remaining remote fill areas and ground water at the site, which is estimated by the U. S. EPA to cost approximately $9.2 million. The administrative record has been reopened for public comments on this phase of the cleanup.

Having completed the RIFS at Portland, the Company conducted predesign studies to explore the viability of the U.S. EPA's selected remedy pursuant to a June 1989 consent decree captioned *U.S. v. NL Industries, Inc.*, Civ. No. 89-408, United States District Court for the District of Oregon. Subsequent to the completion of the predesign studies, the U.S. EPA issued notices of potential liability to approximately 20 PRPs, including the Company, directing them to perform the remedy, which was initially estimated to cost approximately

$17 million, exclusive of administrative and overhead costs and any additional costs, for the disposition of recycled materials from the site. In January 1992, the U.S. EPA issued unilateral administrative orders Docket No. 1091-01-10-106 to the Company and six other PRPs directing the performance of the remedy. The Company and the other PRPs commenced performance of the remedy and, through December 31, 1994, the Company and the other PRPs had spent approximately $18 million. Based upon site operations to date, the remedy is not proceeding in accordance with engineering expectations or cost projections; therefore, the Company and the other PRPs have met with the U.S. EPA to discuss alternative remedies for the site. The U.S. EPA authorized the Company and the other PRPs to cease performing most aspects of the selected remedy. In September 1994, the Company and the other PRPs submitted a focused feasibility study ("FFS") to the U.S. EPA, which proposes alternative remedies for the site. The U.S. EPA is considering the alternatives proposed in the FFS. Pursuant to an interim allocation, the Company's share of remedial costs is approximately 50%. In November 1991, Gould, Inc., the current owner of the site, filed an action, *Gould Inc. v. NL Industries, Inc.*, No. 91-1091, United States District Court for the District of Oregon, against the Company for damages for alleged fraud in the sale of the smelter, rescission of the sale, past CERCLA response costs and a declaratory judgment allocating future response costs and $5 million in punitive damages. The court granted Gould's motion to amend the complaint to add additional defendants (adjoining current and former landowners) and third party defendants (generators). The amended complaint deletes the fraud and punitive damages claims asserted against NL; thus, the pending action is essentially one for reallocation of past and future cleanup costs. In March 1993, the parties agreed to a case management order limiting discovery until 1995. In December 1994, Gould amended its complaint adding approximately 15 additional generator defendants and two additional owner/operator defendants. Discovery is proceeding. A trial date has been tentatively set for September 1996.

There are several actions pending relating to alleged contamination at other properties formerly owned or operated by the Company or its subsidiaries or their predecessors. In one of those cases, suit was filed in November 1992 against the Company asserting claims arising out of the sale of a former business of the Company to Exxon Chemical Company (*Exxon Chemical Company v. NL Industries, Inc.*, United States District Court for the Southern District of Texas, No. H-92-3360). The action sought contractual indemnification, contribution under CERCLA for costs associated with the environmental assessment and cleanup at nine properties included in the sale, a declaration of liability for future environmental cleanup costs, and punitive damages for fraud. Plaintiff asserted that past and future cleanup costs, business interruption, and asset value losses and legal and site assessment costs were approximately $25 million. In December 1994, this matter was settled within previously accrued amounts.

The Company and other PRPs entered into an administrative consent order with the U.S. EPA requiring the performance of a RIFS at two sites in Cherokee County, Kansas, where the Company and others formerly mined lead and zinc. A predecessor of the Company mined at the Baxter Springs subsite, where it is the largest viable PRP. The final RIFS was submitted to the U.S. EPA in May 1993. In August 1994, the U.S. EPA issued its proposed plan for the cleanup of the Baxter Springs and Treece sites in Cherokee County. The proposed remedy is estimated by U.S. EPA to cost $6 million.

In January 1989, the State of Illinois brought an action against the Company and several other subsequent owners and operators of the former lead oxide plant in Chicago, Illinois (*People of the State of Illinois v. NL Industries, et al.*, No. 88-CH-11618, Circuit Court, Cook County). The complaint seeks recovery of $2.3 million of cleanup costs expended by the Illinois Environmental Protection Agency, plus penalties and treble damages. In October 1992, the Supreme Court of Illinois reversed the Appellate Division, which had affirmed the trial court's earlier dismissal of the complaint, and remanded the case for further proceedings. In December 1993, the trial court denied the State's petition to reinstate the complaint, and dismissed the case with prejudice. The State's appeal of this ruling is pending.

In 1980, the State of New York commenced litigation against the Company in connection with the operation of a plant in Colonie, New York formerly owned by the Company. *Flacke v. NL Industries, Inc.*, No. 1842-80 ("Flacke I") and *Flacke v. Federal Insurance Company and NL Industries, Inc.*, No. 3131-92 ("Flacke II"), New York Supreme Court, Albany County. The plant manufactured military and civilian products from depleted uranium and was acquired from the Company by the U.S. Department of Energy ("DOE") in 1984. Flacke I seeks penalties for alleged violations of New York's Environmental Conservation Law, and of a consent order entered into to resolve these alleged violations. Flacke II seeks forfeiture of a $200,000 surety bond posted in connection with the consent order, plus interest from February 1980. The Company denied liability in both actions. The litigation had been inactive from 1984 until July 1993 when the State moved for partial summary judgment for approximately $1.5 million on certain of its claims in Flacke I and for summary judgment in Flacke II. In January 1994, the Company cross-moved for summary judgment in Flacke I and Flacke II. All summary judgment motions have been denied and both parties have appealed.

Residents in the vicinity of the Company's former Philadelphia lead chemicals plant commenced a class action allegedly comprised of over 7,500 individuals seeking medical monitoring and damages allegedly caused by emissions from the plant. *Wagner, et al. v. Anzon, Inc. and NL Industries, Inc.*, No. 87-4420, Court of Common Pleas, Philadelphia County. The complaint sought compensatory and punitive damages from the Company and the current owner of the plant, and alleged causes of action for, among other things, negligence, strict liability, and nuisance. A class was certified to include persons who resided, owned or rented property, or who work or have worked within up to approximately three-quarters of a mile from the plant from 1960 through the present. The Company answered the complaint, denying liability. In November 1994, the jury returned a verdict in favor of the Company. Plaintiffs have filed post-trial motions requesting a new trial. Residents also filed consolidated actions in the United States District Court for the Eastern District of Pennsylvania, *Shinozaki v. Anzon, Inc.* and *Wagner and Antczak v. Anzon and NL Industries, Inc.* Nos. 87-3441 and 87-3502. The consolidated action is a putative class action seeking CERCLA response costs, including cleanup and medical monitoring, declaratory and injunctive relief and civil penalties for alleged violations of the Resource Conservation and Recovery Act ("RCRA"), and also asserting pendent common law claims for strict liability, trespass, nuisance and punitive damages. The court dismissed the common law claims without prejudice, dismissed two of the three RCRA claims as against the Company with prejudice, and stayed the case pending the outcome of the state court litigation.

In July 1991, a complaint was filed in the United States District Court for the Central District of California, *United States of America v. Peter Gull and NL Industries, Inc.*, Civ. No. 91-4098, seeking recovery of $2 million in costs incurred by the United States in response to the alleged release of hazardous substances into the environment from a facility located in Norco, California, treble damages and $1.75 million in penalties for the Company's alleged failure to comply with the U.S. EPA's administrative order No. 88-13. The order, which alleged that the Company arranged for the treatment or disposal of materials at the Norco site, directed the immediate removal of hazardous substances from the site. The Company carried out a portion of the remedy at the Norco site, but did not complete the ordered activities because it believed they were in conflict with California law. The Company answered the complaint denying liability. The government claims it expended in excess of $2.7 million for this matter. Trial was held in March and April 1993. In April 1994, the court entered final judgment in this matter directing the Company to pay $6.3 million plus interest. The court ruled that the Company was liable for approximately $2.7 million in response costs plus approximately $3.6 million in penalties for failure to comply with the administrative order. Both the Company and the government have appealed. In August 1994, this matter was referred to mediation, which is pending.

At a municipal and industrial waste disposal site in Batavia, New York, the Company and six others have been identified as PRPs. The U.S. EPA has divided the site into two operable units. Pursuant to an administrative consent order entered into with the U.S. EPA, the Company is conducting a RIFS for operable unit one, the closure of the industrial waste disposal section of the landfill. The Company's RIFS costs to date are approximately $2 million. In August 1994, the U.S. EPA issued the proposed plan for operable unit one, which is estimated by the U.S. EPA to cost approximately $12.3 million. The Company, along with other PRPs, submitted extensive comments on the proposed plan. With respect to the second operable unit, the extension of the municipal water supply, the U.S. EPA estimated the costs at $1 million plus annual operation and maintenance costs. The Company and the other PRPs are performing the work comprising operable unit two. The U.S. EPA has also demanded approximately $.9 million in past costs from the PRPs.

See Item 1 - "Business - Regulatory and Environmental Matters".

Other litigation

In January 1990, an action was filed in the United States District Court for the Southern District of Ohio against NLO, Inc., a subsidiary of the Company, and the Company on behalf of a putative class of former NLO employees and their families and former frequenters and invitees of the Feed Materials Production Center ("FMPC") in Ohio (*Day, et al. v. NLO, Inc.*, et al, No. C-1-90-067). The FMPC is owned by the DOE and was formerly managed under contract by NLO. The complaint seeks damages for, among other things, emotional distress and damage to personal property allegedly caused by exposure to radioactive and/or hazardous materials at the FMPC and punitive damages. This action was certified as a class action by the court. In July 1994, the parties reached a settlement agreement pursuant to which the DOE would pay all costs of the settlement and the Company and NLO were released.

The Company is also involved in various other environmental, contractual, product liability and other claims and disputes incidental to its present and former businesses, and the disposition of past properties and former businesses.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 31, 1994.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

NL's common stock is listed and traded on the New York and Pacific Stock Exchanges under the symbol "NL". As of February 28, 1995, there were approximately 10,000 holders of record of NL common stock. The following table sets forth the high and low sales prices for NL common stock on the New York Stock Exchange ("NYSE") Composite Tape. On February 28, 1995, the closing price of NL common stock according to the NYSE Composite Tape was $11-7/8.

	High	Low
Year ended December 31, 1993:		
First quarter	$ 6-1/8	$ 4-1/4
Second quarter	5-5/8	3-3/8
Third quarter	6-1/8	3-7/8
Fourth quarter	6	4-1/2
Year ended December 31, 1994:		
First quarter	$ 9-5/8	$ 4-3/8
Second quarter	9-1/2	6-1/8
Third quarter	11-7/8	8-3/8
Fourth quarter	13-1/4	9

The Company's Senior Notes generally limit the ability of the Company to pay dividends to 50% of consolidated net income, as defined, subsequent to October 1993. At December 31, 1994, no amounts were available for dividends.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Years ended December 31,				
	1990	1991	1992	1993	1994
	(In millions, except per share amounts)				
INCOME STATEMENT DATA:					
Net sales	$ 906.6	$ 840.3	$ 893.5	$ 805.3	$ 888.0
Operating income	251.1	139.0	110.7	62.4	111.4
Income (loss) from continuing operations	93.5	(24.0)	(44.6)	(83.2)	(24.0)
Net income (loss)	92.4	(16.5)	(76.4)	(109.8)	(24.0)
Per common share:					
Income (loss) from continuing operations	$ 1.42	$ (.40)	$ (.88)	$ (1.63)	$ (.47)
Net income (loss)	1.40	(.27)	(1.50)	(2.16)	(.47)
Cash dividends	$ .60	$ .60	$ .35	$ -	$ -
BALANCE SHEET DATA (at year-end):					
Cash, cash equivalents and current marketable securities	$ 443.1	$ 353.3	$ 187.9	$ 147.6	$ 156.3
Current assets	884.4	795.5	635.8	467.5	486.4
Total assets	1,966.7	1,831.0	1,472.1	1,206.5	1,162.4
Current liabilities	400.4	360.2	248.8	232.5	244.9
Long-term debt including current maturities	1,269.7	1,288.9	1,035.3	870.9	789.6
Shareholders' equity (deficit)	38.6	(58.3)	(146.3)	(264.8)	(293.1)
OTHER DATA:					
Net debt (1)	$ 867.4	$ 936.0	$ 847.7	$ 723.2	$ 633.4
EBITDA (2)	242.3	126.6	115.1	67.2	101.3
Interest expense, net (3)	60.7	59.9	104.3	95.1	78.9
Cash interest expense, net (4)	53.0	53.9	98.0	86.8	60.8
Capital expenditures	195.3	195.1	85.2	48.0	36.9
TiO_2 sales volumes (in thousands metric tons)	274	303	336	346	376
Average TiO_2 selling price index (1983=100)	175	147	139	127	131

(1) Net debt represents notes payable and long-term debt less cash, cash equivalents and current marketable securities.

(2) EBITDA, as presented, represents operating income less corporate expense, net, plus depreciation, depletion and amortization. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to incur and service debt. However, EBITDA should not be considered as an alternative to (i) operating income or net income as an indicator of a company's operating performance or (ii) cash flows from operating activities as a measure of a company's liquidity.

(3) Interest expense, net represents interest expense less general corporate interest and dividend income.

(4) Cash interest expense, net represents interest expense, net less non-cash interest expense (deferred interest expense on the Senior Secured Discount Notes and amortization of deferred financing costs).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

General

The Company's operations are conducted in two business segments - TiO_2 conducted by Kronos and specialty chemicals conducted by Rheox. As discussed below, TiO_2 selling prices increased during 1994 after four consecutive years of a declining price trend. Kronos' operating income and margins improved significantly during 1994. Based on, among other things, the Company's near-term outlook for its TiO_2 business, the Company expects 1995 will be profitable with anticipated continuing improvements in TiO_2 prices and demand.

Net sales and operating income

	Years ended December 31,			% Change	
	1992	1993	1994	1993-92	1994-93
	(In millions)				
Net sales:					
Kronos	$784.6	$697.0	$770.1	-11%	+10%
Rheox	108.9	108.3	117.9	-1%	+9%
	$893.5	$805.3	$888.0	-10%	+10%
Operating income:					
Kronos	$ 81.9	$ 36.1	$ 80.5	-56%	+123%
Rheox	28.8	26.3	30.8	-9%	+17%
	$110.7	$ 62.4	$111.3	-44%	+78%
Percent change in TiO_2:					
Sales volume				+3%	+9%
Average selling prices (in billing currencies)				-8%	+3%

The improvement in Kronos' 1994 results was primarily due to higher average selling prices, higher production and sales volumes for TiO_2 and higher technology fee income. In billing currency terms, Kronos' 1994 average TiO_2 selling prices were approximately 3% higher than in 1993 and were 8% lower in 1993 compared to 1992. Average TiO_2 selling prices at year-end 1994 were 6% higher than year-earlier levels and were 10% above the low point reached in 1993.

Record sales volume of 376,000 metric tons of TiO_2 in 1994 represents an increase of 9% over 1993, with increases in Europe, North America and other regions. Due to increasing demand for TiO_2 and higher sales volumes, Kronos increased its capacity utilization to 94% after having reduced its TiO_2 production rates in response to weakened demand in late 1992 and 1993. TiO_2 sales volumes increased 3% in 1993 over 1992, as increases in North American sales volumes were partially offset by declining sales volumes in European markets. Approximately one-half of Kronos' 1994 TiO_2 sales, by volume, were attributable to markets in Europe with approximately 36% attributable to North America and the balance to other regions.

As a result of Kronos' continued emphasis on cost reduction and containment efforts, Kronos' unit production costs decreased slightly in 1994 and were only slightly higher in 1993 compared to year-earlier levels.

Demand, supply and pricing of TiO_2 have historically been cyclical and the last cyclical peak for TiO_2 prices occurred in early 1990. Kronos believes that its operating income and margins for 1995 will be higher than in 1994 due principally to the net effect of higher average TiO_2 selling prices and slightly higher sales and production volumes, offset in part by increased raw material costs.

Rheox's operating income improved in 1994 compared to 1993 due to higher sales volumes and lower operating costs. Operating costs increased during 1993 over 1992, contributing to the decline in Rheox's 1993 operating income. Changes in currency exchange rates had a slightly positive effect on sales and operating income in 1994 and a negative effect in 1993 compared to the respective prior year.

The Company has substantial operations and assets located outside the United States (principally Germany, Norway, Belgium and Canada). The U.S. dollar value of the Company's foreign sales and operating costs are subject to currency exchange rate fluctuations which may favorably or adversely impact reported earnings and effect the comparability of period to period operating results. A significant amount of the Company's sales are denominated in currencies other than the U.S. dollar (67% in 1994), principally major European currencies and the Canadian dollar. Certain raw materials, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are primarily denominated in the local currency. Fluctuations in the value of the U.S. dollar relative to other currencies decreased 1994 sales by $2 million compared to 1993 and decreased 1993 sales by $45 million compared to 1992.

General corporate

The following table sets forth certain information regarding general corporate income (expense).

	Years ended December 31,			Change	
	1992	1993	1994	1993-92	1994-93
	(In millions)				
Securities earnings	$ 8.2	$ 8.5	$ 3.9	$ .3	$(4.6)
Corporate expenses, net	(43.4)	(41.5)	(44.7)	1.9	(3.2)
Interest expense	(118.5)	(99.1)	(83.9)	19.4	15.2
	$(153.7)	$(132.1)	$(124.7)	$21.6	$ 7.4

Securities earnings fluctuate in part based upon the amount of funds invested and yields thereon. Amounts available for investment have declined over the past two years. Corporate expenses, net, in 1994 were slightly higher compared with 1993 as a $20 million gain related to the first quarter 1994 settlement of the Company's lawsuit against Lockheed Corporation was offset by increases in provisions for environmental remediation and litigation costs. Corporate expenses were slightly lower in 1993 compared to 1992 as a $4 million increase in environmental remediation costs was more than offset by a $9 million reduction in certain proxy solicitation and litigation settlement expenses.

Interest expense

Lower levels of debt in 1993 and 1994, principally Kronos' Deutsche mark-denominated debt, and lower interest rates on such debt reduced interest expense in 1993 and 1994 compared to the respective prior-year periods. In addition, 1992 interest expense reflected the benefit of $9 million of capitalized interest related principally to the Louisiana plant completed in March 1992.

Provision for income taxes

The principal reasons for the difference between the U.S. federal statutory income tax rates and the Company's effective income tax rates are explained in Note 13 to the Consolidated Financial Statements. The Company's operations are conducted on a worldwide basis and the geographic mix of income can significantly impact the Company's effective income tax rate. In each of the past three years, the geographic mix, including losses in certain jurisdictions for which no current refund was available and in which recognition of a deferred tax asset is not currently considered appropriate, contributed significantly to the Company's effective tax rate varying from a normally-expected rate. The Company's deferred income tax status at December 31, 1994 is discussed in "Liquidity and Capital Resources".

Extraordinary item

See Note 16 to the Consolidated Financial Statements.

Changes in accounting principles

See Notes 2 and 19 to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows provided by operating, investing and financing activities for each of the past three years are presented below.

	Years ended December 31,		
	1992	1993	1994
	(In millions)		
Net cash provided (used) by:			
Operating activities	$ (44.7)	$ (7.3)	$ 181.7
Investing activities	234.9	181.9	(32.8)
Financing activities	(223.1)	(155.3)	(132.1)
Net cash provided (used) by operating, investing and financing activities	$ (32.9)	$ 19.3	$ 16.8

The TiO_2 industry is cyclical, with the previous peak in selling prices in early 1990 and the latest trough in the third quarter of 1993. During the recent TiO_2 down cycle, the Company's operations used significant amounts of cash. Receipt of the German tentative tax refund, discussed below, significantly increased the Company's cash flow from operating activities during 1994 and was a major factor in the Company's improved liquidity. The relative changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) also contributed to the cash provided by operations. A $30 million technology exchange fee received from Tioxide in October 1993, which is being recognized as a component of operating income over three years, also favorably impacted cash flow from operating activities in 1993.

Cash provided (used) by investing activities includes capital expenditures in each period, and in 1993 included $161 million net cash generated from the formation of the manufacturing joint venture with Tioxide. Cash provided by investing activities also included net sales of marketable securities of $317 million in 1992 and $68 million in 1993, primarily used to fund debt repayments. In 1994, proceeds of $15 million from the sale of trading securities are a component of the cash provided from operations as a result of the adoption of SFAS 115.

The Company's capital expenditures during the past three years include an aggregate of $36 million related to the completion of the Louisiana chloride process TiO_2 plant and an aggregate of $63 million ($17 million in 1994) for the Company's ongoing environmental protection and compliance programs, including a Canadian waste acid neutralization facility, a Norwegian onshore tailings disposal system and off-gas desulfurization systems. The Company's estimated 1995 capital expenditures are $66 million and include $33 million in the area of environmental protection and compliance primarily related to the off-gas desulfurization systems and water treatment chemical purification systems. The Company plans to spend $25 million in capital expenditures ($7 million in 1995) related to a debottlenecking project at its Leverkusen, Germany chloride process TiO_2 facility that is expected to increase the Company's annual attainable production capacity by 20,000 metric tons. The capital expenditures of the manufacturing joint venture are not included in the Company's capital expenditures.

Net repayments of indebtedness in 1994 included a DM 225 million ($140 million when paid) reduction in the DM credit facility, $15 million paid on the Rheox bank term loan and $15 million paid on the joint venture term loan. In addition, the Company borrowed DM 75 million ($45 million) under the DM credit facility. Net repayments of indebtedness in 1993 included payments on the DM credit facility of DM 552 million ($342 million when paid), a $110 million net reduction in indebtedness related to the Louisiana plant and $350 million proceeds from the Company's public offering of debt. Net repayments of indebtedness in 1992 included payments on the DM term loan aggregating DM 350 million ($225 million when paid) and $61 million drawn under Kronos' Louisiana plant credit facilities. NL and Kronos have agreed, under certain conditions, to provide KII with up to an additional DM 125 million through January 1, 2001.

Financing activities also include dividends paid of $18 million in 1992. The Company suspended dividend payments in October 1992.

At December 31, 1994, the Company had cash, cash equivalents and current marketable securities aggregating $156 million (30% held by non-U.S. subsidiaries) including restricted cash and cash equivalents of $16 million. In addition, the Company's subsidiaries had $14 million and $195 million available for borrowing at December 31, 1994 under existing U.S. and non-U.S. credit facilities, respectively, of which $80 million of the non-U.S. amount is available only for (i) permanently reducing the DM term loan or (ii) paying future German income tax assessments, as described below.

The Company reduced its "net debt" (notes payable and long-term debt less cash, cash equivalents and current marketable securities) by $90 million during 1994. The Company currently expects to have sufficient liquidity to meet its obligations including operations, capital expenditures and debt service.

Certain of the Company's income tax returns in various U.S. and non-U.S. jurisdictions, including Germany, are being examined and tax authorities have proposed or may propose tax deficiencies. During 1994, the German tax authorities withdrew certain assessment reports which had proposed tax deficiencies of DM 100 million and remitted tax refunds aggregating DM 225 million ($136 million), including interest, on a tentative basis. The Company applied DM 174 million ($108 million) of the German tentative tax refunds to reduce outstanding borrowings under its DM credit facility. The examination of the Company's German income tax returns is continuing and additional substantial proposed tax deficiency assessments are expected. Although the Company believes that it will ultimately prevail, the Company has granted a DM 100 million ($64 million at December 31, 1994) lien on its Nordenham, Germany TiO_2 plant, and may be required to provide additional security in favor of the German tax authorities until the assessments proposing tax deficiencies are resolved. The Company believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on the Company's consolidated financial position, results of operation or liquidity. Cash received for settlement of prior years' tax examinations aggregated $6 million in 1994 and the Company expects to make settlement payments of approximately $20 million in 1995.

At December 31, 1994, the Company had recorded net deferred tax liabilities of $175 million. The Company operates in numerous tax jurisdictions, in certain of which it has temporary differences that net to deferred tax assets (before valuation allowance). The Company has provided a deferred tax valuation allowance of $165 million, principally related to the U.S. and Germany, offsetting deferred tax assets which the Company believes may not currently meet the "more likely than not" realization criteria for asset recognition.

In addition to the chemicals businesses conducted through Kronos and Rheox, the Company also has certain interests and associated liabilities relating to certain discontinued or divested businesses and other holdings of marketable equity securities including securities issued by Valhi and other Contran subsidiaries.

The Company has been named as a defendant, PRP, or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites or facilities currently or formerly owned, operated or used by the Company, many of which disposal sites or facilities are on the U.S. EPA's Superfund National Priorities List or similar state lists. On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant. The Company believes it has provided adequate accruals for reasonably estimable costs of such matters, but the Company's ultimate liability may be affected by a number of factors, including changes in remedial alternatives and costs and the allocation of such costs among PRPs. The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising out of the sale of lead pigments and lead-based paints. The Company has not accrued any amounts for the pending lead pigment litigation. Although no assurance can be given that the Company will not incur future liability in respect of this litigation, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment litigation is without merit. Liability, if any, that may result is not reasonably capable of estimation. The Company currently believes the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future. See Item 3 - "Legal Proceedings" and Note 18 to the Consolidated Financial Statements.

As discussed above, the Company has substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amount of the Company's assets and liabilities related to its non-U.S. operations, and therefore the Company's consolidated net assets, will fluctuate based upon changes in currency exchange rates. The carrying value of the Company's net investment in its German operations is a net liability due principally to its DM credit facility, while its net investment in its other non-U.S. operations are net assets.

The Company periodically evaluates its liquidity requirements, capital needs and availability of resources in view of, among other things, its debt service requirements and estimated future operating cash flows. As a result of this process, the Company has in the past and may in the future seek to refinance or restructure indebtedness, raise additional capital, restructure ownership interests, sell interests in subsidiaries, marketable securities or other assets, or take a combination of such steps or other steps to increase or manage its liquidity and capital resources.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is contained in a separate section of this Annual Report. See "Index of Financial Statements and Schedules" on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to NL's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report (the "NL Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the NL Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the NL Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the NL Proxy Statement. See also Note 17 to the Consolidated Financial Statements.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) and (d) Financial Statements and Schedules

The consolidated financial statements and schedules listed by the Registrant on the accompanying Index of Financial Statements and Schedules (see page F-1) are filed as part of this Annual Report.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended December 31, 1994 and the months of January and February 1995.

October 24, 1994 - reported items 5 and 7.
December 1, 1994 - reported items 5 and 7.
January 30, 1995 - reported items 5 and 7.

(c) Exhibits

Included as exhibits are the items listed in the Exhibit Index. NL will furnish a copy of any of the exhibits listed below upon payment of $4.00 per exhibit to cover the costs to NL of furnishing the exhibits. Instruments defining the rights of holders of long-term debt issues which do not exceed 10% of consolidated total assets will be furnished to the Securities and Exchange Commission upon request.

Item No.	Exhibit Index
3.1	By-Laws, as amended on June 28, 1990 - incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
3.2	Certificate of Amended and Restated Certificate of Incorporation dated June 28, 1990 - incorporated by reference to Exhibit 1 to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held on June 28, 1990.
4.1	Registration Rights Agreement dated October 30, 1991, by and between the Registrant and Tremont Corporation - incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
4.2	Indenture dated October 20, 1993 governing the Registrant's 11.75% Senior Secured Notes due 2003, including form of Senior Note - incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.3	Senior Mirror Notes dated October 20, 1993 - incorporated by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.4	Senior Note Subsidiary Pledge Agreement dated October 20, 1993 between Registrant and Kronos, Inc. - incorporated by reference to Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.5	Third Party Pledge and Intercreditor Agreement dated October 20, 1993 between Registrant, Chase Manhattan Bank (National Association) and Chemical Bank - incorporated by reference to Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.6	Indenture dated October 20, 1993 governing the Registrant's 13% Senior Secured Discount Notes due 2005, including form of Discount Note - incorporated by reference to Exhibit 4.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

4.7 Discount Mirror Notes dated October 20, 1993 - incorporated by reference to Exhibit 4.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

4.8 Discount Note Subsidiary Pledge Agreement dated October 20, 1993 between Registrant and Kronos, Inc. - incorporated by reference to Exhibit 4.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.1 Amended and Restated Loan Agreement dated as of October 15, 1993 among Kronos International, Inc., the Banks set forth therein, Hypobank International S.A., as Agent and Banque Paribas, as Co-agent - incorporated by reference to Exhibit 10.17 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.2 Amended and Restated Liquidity Undertaking dated October 15, 1993 by the Registrant, Kronos, Inc. and Kronos International, Inc. to Hypobank International S.A., as agent, and the Banks set forth therein - incorporated by reference to Exhibit 10.18 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.3 Credit Agreement dated as of March 20, 1991 between Rheox, Inc. and Subsidiary Guarantors and The Chase Manhattan Bank (National Association) and the Nippon Credit Bank, Ltd., as Co-agents - incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990.

10.4 Amendments 1 and 2 dated May 1, 1991 and February 15, 1992, respectively, to the Credit Agreement between Rheox, Inc. and Subsidiary Guarantors and the Chase Manhattan Bank (National Association) and the Nippon Credit Bank, Ltd. as Co-Agents-incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 1992.

10.5 Third amendment to the Credit Agreement, dated March 5, 1993 between Rheox, Inc. and Subsidiary Guarantors and the Chase Manhattan Bank (National Association) and the Nippon Credit Bank, Ltd as Co-Agents - incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.

10.6 Fourth and Fifth Amendments to the Credit Agreement, dated September 23, 1994 and December 15, 1994, respectively, between Rheox, Inc. and Subsidiary Guarantors and the Chase Manhattan Bank (National Association) and the Nippon Credit Bank, Ltd. as Co-Agents.

10.7 Credit Agreement dated as of October 18, 1993 among Louisiana Pigment Company, L.P., as Borrower, the Banks listed therein and Citibank, N.A., as Agent - incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.8 Security Agreement dated October 18, 1993 from Louisiana Pigment Company, L.P., as Borrower, to Citibank, N.A., as Agent - incorporated by reference to Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.9 Security Agreement dated October 18, 1993 from Kronos Louisiana, Inc. as Grantor, to Citibank, N.A., as Agent - incorporated by reference to Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.10 KLA Consent and Agreement dated as of October 18, 1993 between Kronos Louisiana, Inc. and Citibank, N.A., as Agent - incorporated by reference to Exhibit 10.14 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.11 Guaranty dated October 18, 1993, from Kronos, Inc., as guarantor, in favor of Lenders named therein, as Lenders, and Citibank, N.A., as Agent - incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.12 Mortgage by Louisiana Pigment Company, L.P. dated October 18, 1993 in favor of Citibank, N.A. - incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.13 Lease Contract dated June 21, 1952, between Farbenfabrieken Bayer Aktiengesellschaft and Titangesellschaft mit beschrankter Haftung (German language version and English translation thereof) - incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1985.

10.14 Contract dated September 9, 1971, between Farbenfabrieken Bayer Aktiengesellschaft and Titangesellschaft mit beschrankter Haftung concerning supplies and services (German language version and English translation thereof) - incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1985.

10.15 Agreement dated February 8, 1984, between Bayer AG and Kronos Titan GmbH (German language version and English translation thereof) - incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1985.

10.16 Formation Agreement dated as of October 18, 1993 among Tioxide Americas Inc., Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.17 Joint Venture Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.18 Kronos Offtake Agreement dated as of October 18, 1993 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.19 Tioxide Americas Offtake Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.20 TCI/KCI Output Purchase Agreement dated as of October 18, 1993 between Tioxide Canada Inc. and Kronos Canada, Inc. - incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.21 TAI/KLA Output Purchase Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.22 Master Technology Exchange Agreement dated as of October 18, 1993 among Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Tioxide Group Limited and Tioxide Group Services Limited - incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.23 Parents' Undertaking dated as of October 18, 1993 between ICI American Holdings Inc. and Kronos, Inc. - incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.24 Allocation Agreement dated as of October 18, 1993 between Tioxide Americas Inc., ICI American Holdings, Inc., Kronos, Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.25* 1985 Long Term Performance Incentive Plan of NL Industries, Inc., as adopted by the Board of Directors on February 27, 1985 - incorporated by reference to Exhibit A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held on April 24, 1985.

10.26 Form of Director's Indemnity Agreement between NL and the independent members of the Board of Directors of NL - incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987.

10.27* 1989 Long Term Performance Incentive Plan of NL Industries, Inc. as adopted by the Board of Directors on February 14, 1989 - incorporated by reference to Exhibit A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held on May 2, 1989.

10.28 Savings Plan for Employees of NL Industries, Inc. as adopted by the Board of Directors on February 14, 1989 - incorporated by reference to Exhibit B to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held May 2, 1989.

10.29* NL Industries, Inc. 1992 Non-Employee Director Stock Option Plan, as adopted by the Board of Directors on February 13, 1992 - incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held April 30, 1992.

10.30 Intercorporate Services Agreement by and between Valhi, Inc. and the Registrant effective as of January 1, 1994 - incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.

10.31 Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 1994 - incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.

10.32 Insurance Sharing Agreement, effective January 1, 1990, by and between the Registrant, NL Insurance, Ltd. (an indirect subsidiary of Tremont Corporation) and Baroid Corporation - incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.

10.33* Description of terms of an executive severance agreement between the Registrant and Joseph S. Compofelice - incorporated by reference to the last paragraph of page 16 entitled "Employment Agreements" of the Registrant's definitive proxy statement dated March 30, 1994.

10.34* Executive Severance Agreement effective as of December 31, 1991 by and between the Registrant and J. Landis Martin - incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.

10.35* Supplemental Executive Retirement Plan for Executives and Officers of NL Industries, Inc. effective as of January 1, 1991 - incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.

21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Accountants.
27.1	Financial Data Schedules for the year ended December 31, 1994.
99.1	Annual Report of Savings Plan for Employees of NL Industries, Inc. (Form 11-K) to be filed under Form 10-K/A to the Registrant's Annual Report on Form 10-K within 180 days after December 31, 1994.

* Management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NL Industries, Inc.
(Registrant)

By /s/ J. Landis Martin
J. Landis Martin, March 6, 1995
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ J. Landis Martin
J. Landis Martin, March 6, 1995
Director, President and
Chief Executive Officer

/s/ Harold C. Simmons
Harold C. Simmons, March 6, 1995
Chairman of the Board

/s/ Glenn R. Simmons
Glenn R. Simmons, March 6, 1995
Director

/s/ Michael A. Snetzer
Michael A. Snetzer, March 6, 1995
Director

/s/ Kenneth R. Peak
Kenneth R. Peak, March 6, 1995
Director

/s/ Dr. Lawrence A. Wigdor
Dr. Lawrence A. Wigdor, March 6, 1994
Director, President and Chief Executive
Officer of Kronos and Rheox

/s/ Elmo R. Zumwalt, Jr.
Elmo R. Zumwalt, Jr., March 6, 1995
Director

/s/ Joseph S. Compofelice
Joseph S. Compofelice, March 6, 1995
Vice President and
Chief Financial Officer

/s/ Dennis G. Newkirk
Dennis G. Newkirk, March 6, 1995
Vice President and Controller
(Principal Accounting Officer)

NL INDUSTRIES, INC.

ANNUAL REPORT ON FORM 10-K

Items 8, 14(a) and 14(d)

Index of Financial Statements and Schedules

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of NL Industries, Inc.:

We have audited the accompanying consolidated balance sheets of NL Industries, Inc. as of December 31, 1993 and 1994, and the related consolidated statements of operations, shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NL Industries, Inc. as of December 31, 1993 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 19 to the consolidated financial statements, in 1993 the Company changed its method of accounting for certain investments in debt and equity securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, and in 1992 the Company changed its method of accounting for postretirement benefits other than pensions and income taxes in accordance with SFAS Nos. 106 and 109, respectively.

COOPERS & LYBRAND L.L.P.

Houston, Texas
February 3, 1995

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 1993 and 1994

(In thousands, except per share data)

ASSETS

	1993	1994
Current assets:		
Cash and cash equivalents	$ 106,593	$ 131,124
Marketable securities	41,045	25,165
Accounts and notes receivable, less allowance of $3,008 and $3,749	116,355	137,753
Refundable income taxes	386	1,162
Inventories	194,167	185,173
Prepaid expenses	5,637	3,878
Deferred income taxes	3,315	2,177
Total current assets	467,498	486,432
Other assets:		
Marketable securities	18,428	21,329
Refundable income taxes	91,994	-
Investment in joint ventures	190,787	187,480
Prepaid pension cost	16,307	19,329
Deferred income taxes	577	2,746
Other	42,355	37,267
Total other assets	360,448	268,151
Property and equipment:		
Land	18,237	20,665
Buildings	129,582	147,370
Machinery and equipment	515,090	582,138
Mining properties	72,711	87,035
Construction in progress	30,050	9,579
	765,670	846,787
Less accumulated depreciation and depletion	387,067	438,960
Net property and equipment	378,603	407,827
	$1,206,549	$1,162,410

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 1993 and 1994

(In thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' DEFICIT	1993	1994
Current liabilities:		
Current maturities of long-term debt	$ 35,716	$ 42,887
Accounts payable and accrued liabilities	177,265	168,327
Payable to affiliates	9,566	11,348
Income taxes	6,353	20,762
Deferred income taxes	3,623	1,590
Total current liabilities	232,523	244,914
Noncurrent liabilities:		
Long-term debt	835,169	746,762
Deferred income taxes	138,977	178,332
Accrued pension cost	72,606	76,242
Accrued postretirement benefits cost	68,322	65,299
Other	121,309	141,518
Total noncurrent liabilities	1,236,383	1,208,153
Minority interest	2,438	2,425
Shareholders' deficit:		
Preferred stock - 5,000 shares authorized, no shares issued or outstanding	-	-
Common stock - $.125 par value; 150,000 shares authorized; 66,839 shares issued	8,355	8,355
Additional paid-in capital	759,281	759,281
Adjustments:		
Currency translation	(115,803)	(125,494)
Pension liabilities	(3,442)	(1,635)
Marketable securities	(2,164)	(12)
Accumulated deficit	(543,059)	(567,041)
Treasury stock, at cost (15,949 and 15,787 shares)	(367,963)	(366,536)
Total shareholders' deficit	(264,795)	(293,082)
	$1,206,549	$1,162,410

Commitments and contingencies (Notes 13 and 18)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 1992, 1993 and 1994

(In thousands, except per share data)

	1992	1993	1994
Revenues and other income:			
Net sales	$893,465	$ 805,323	$887,954
Other, net	14,797	22,084	44,828
	908,262	827,407	932,782
Costs and expenses:			
Cost of sales	629,029	612,367	649,745
Selling, general and administrative	203,736	185,689	212,516
Interest	118,511	99,119	83,926
	951,276	897,175	946,187
Loss before income taxes, minority interest, extraordinary item and cumulative effect of changes in accounting principles	(43,014)	(69,768)	(13,405)
Income tax expense	459	12,713	9,734
Loss before minority interest, extraordinary item and cumulative effect of changes in accounting principles	(43,473)	(82,481)	(23,139)
Minority interest	1,123	730	843
Loss before extraordinary item and cumulative effect of changes in accounting principles	(44,596)	(83,211)	(23,982)
Extraordinary item	-	(27,815)	-
Cumulative effect of changes in accounting principles	(31,804)	1,217	-
Net loss	$(76,400)	$(109,809)	$(23,982)

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

Years ended December 31, 1992, 1993 and 1994

(In thousands, except per share data)

	1992	1993	1994
Loss per share of common stock:			
Before extraordinary item and cumulative effect of changes in accounting principles	$ (.88)	$(1.63)	$ (.47)
Extraordinary item	-	(.55)	-
Cumulative effect of changes in accounting principles	(.62)	.02	-
Net loss	$(1.50)	$(2.16)	$ (.47)
Weighted average common shares outstanding	50,907	50,890	51,022

See accompanying notes to consolidated financial statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

Years ended December 31, 1992, 1993 and 1994

(In thousands, except per share data)

	Common stock	Additional paid-in capital	Adjustments			Accumulated deficit	Treasury stock	Total
			Currency translation	Pension liabilities	Marketable securities			
Balance at December 31, 1991	$8,355	$759,300	$(116,640)	$ -	$(5,925)	$(339,043)	$(364,322)	$ (58,275)
Net loss	-	-	-	-	-	(76,400)	-	(76,400)
Common dividends declared - $.35 per share	-	-	-	-	-	(17,807)	-	(17,807)
Adjustments	-	-	4,820	-	5,029	-	-	9,849
Purchases of treasury stock	-	-	-	-	-	-	(3,641)	(3,641)
Other, net	-	(19)	-	-	-	-	-	(19)
Balance at December 31, 1992	8,355	759,281	(111,820)	-	(896)	(433,250)	(367,963)	(146,293)
Net loss	-	-	-	-	-	(109,809)	-	(109,809)
Adjustments	-	-	(3,983)	(3,442)	(51)	-	-	(7,476)
Cumulative effect of change in accounting principle	-	-	-	-	(1,217)	-	-	(1,217)
Balance at December 31, 1993	8,355	759,281	(115,803)	(3,442)	(2,164)	(543,059)	(367,963)	(264,795)
Net loss	-	-	-	-	-	(23,982)	-	(23,982)
Treasury stock reissued	-	-	-	-	-	-	1,427	1,427
Adjustments	-	-	(9,691)	1,807	2,152	-	-	(5,732)
Balance at December 31, 1994	$8,355	$759,281	$(125,494)	$(1,635)	$ (12)	$(567,041)	$(366,536)	$(293,082)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1992, 1993 and 1994

(In thousands)

	1992	1993	1994
Cash flows from operating activities:			
Net loss	$(76,400)	$(109,809)	$(23,982)
Depreciation, depletion and amortization	47,829	46,340	34,592
Non-cash interest expense	6,270	8,309	18,071
Deferred income taxes	(18,949)	(670)	11,907
Cumulative effect of changes in accounting principles	31,804	(1,217)	-
Minority interest	1,123	730	843
Net (gains) losses from:			
Securities transactions	6,018	(4,363)	1,220
Disposition of property and equipment	1,419	199	1,981
Pension cost, net	(2,024)	(2,134)	(2,753)
Other postretirement benefits, net	1,830	(2,422)	(3,437)
Other, net	3,442	(1,349)	68
	2,362	(66,386)	38,510
Change in assets and liabilities:			
Accounts and notes receivable	(1,776)	(1,291)	(13,152)
Inventories	(33,814)	12,166	17,778
Prepaid expenses	207	(472)	3,221
Accounts payable and accrued liabilities	(6,111)	(4,132)	(17,343)
Income taxes	(13,501)	1,507	109,243
Accounts with affiliates	(4,106)	5,426	(2,024)
Other noncurrent assets	(1,006)	8,844	2,219
Other noncurrent liabilities	13,072	37,069	28,706
Marketable trading securities:			
Purchases	-	-	(870)
Dispositions	-	-	15,530
Net cash provided (used) by operating activities	(44,673)	(7,269)	181,818

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 1992, 1993 and 1994

(In thousands)

	1992	1993	1994
Cash flows from investing activities:			
Capital expenditures	$ (85,150)	$ (47,986)	$ (36,931)
Marketable securities:			
Purchases	(156,573)	(11,053)	-
Dispositions	473,935	79,398	-
Proceeds from disposition of property and equipment	1,484	175,537	598
Investment in joint ventures, net	-	(14,405)	3,133
Loans to affiliates	-	(210)	-
Other, net	1,168	670	362
Net cash provided (used) by investing activities	234,864	181,951	(32,838)
Cash flows from financing activities:			
Indebtedness:			
Borrowings	61,722	452,694	44,490
Principal payments	(263,093)	(607,417)	(175,886)
Dividends paid	(17,807)	-	-
Other, net	(3,937)	(613)	(742)
Net cash used by financing activities	(223,115)	(155,336)	(132,138)
Net change during the year from operating, investing and financing activities	$ (32,924)	$ 19,346	$ 16,842

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 1992, 1993 and 1994

(In thousands)

	1992	1993	1994
Cash and cash equivalents:			
Net change during the year from:			
Operating, investing and financing activities	$(32,924)	$ 19,346	$ 16,842
Currency translation	(5,013)	(86)	7,689
	(37,937)	19,260	24,531
Balance at beginning of year	125,270	87,333	106,593
Balance at end of year	$ 87,333	$106,593	$ 131,124
Supplemental disclosures - cash paid (received) for:			
Interest, net of amounts capitalized	$137,996	$ 91,576	$ 66,801
Income taxes, net	31,369	11,897	(111,418)

See accompanying notes to consolidated financial statements.

Note 1 - Organization and basis of presentation:

NL Industries, Inc. conducts its operations primarily through its wholly-owned subsidiaries, Kronos, Inc. (titanium dioxide pigments ("TiO_2")) and Rheox, Inc. (specialty chemicals).

Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, hold 52% and 18%, respectively, of NL's outstanding common stock. Contran holds, directly or through subsidiaries, approximately 90% of Valhi's and 44% of Tremont's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of the children and grandchildren of Harold C. Simmons, of which Mr. Simmons is the sole trustee. Mr. Simmons, the Chairman of the Board of NL and the Chairman of the Board, President, and Chief Executive Officer of Contran and Valhi and a director of Tremont, may be deemed to control each of such companies.

Note 2 - Summary of significant accounting policies:

Principles of consolidation

The accompanying consolidated financial statements include the accounts of NL and its majority-owned subsidiaries (collectively, the "Company"). All material intercompany accounts and balances have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Ultimate actual results may in some instances differ from previously estimated amounts.

Translation of foreign currencies

Assets and liabilities of subsidiaries whose functional currency is deemed to be other than the U.S. dollar are translated at year-end rates of exchange and revenues and expenses are translated at weighted average exchange rates prevailing during the year. Resulting translation adjustments and the related income tax effects are accumulated in the currency translation adjustments component of shareholders' deficit. Currency transaction gains and losses are recognized in income currently.

Cash and cash equivalents

Cash equivalents include U.S. Treasury securities purchased under short-term agreements to resell, bank deposits, and government and commercial notes and bills with original maturities of three months or less. Cash and cash equivalents includes $18 million and $16 million at December 31, 1993 and 1994, respectively, which are restricted for letters of credit and certain indebtedness agreements.

Marketable securities and securities transactions

Marketable securities are classified as either "available-for-sale" or "trading" and are carried at market based on quoted market prices. Unrealized gains and losses on trading securities are recognized in income currently. Unrealized gains and losses on available-for-sale securities, and the related deferred income tax effects, are accumulated in the marketable securities adjustment component of shareholders' deficit. See Note 4. Realized gains or losses are computed based on specific identification of the securities sold.

Prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" as of December 31, 1993, marketable securities were generally carried at the lower of aggregate market or amortized cost and unrealized net gains were not recognized.

Inventories

Inventories are stated at the lower of cost (principally average cost) or market. Amounts are removed from inventories at average cost.

Investment in joint ventures

Investments in 20% to 50%-owned entities are accounted for by the equity method.

Intangible assets

Intangible assets, included in other noncurrent assets, are amortized by the straight-line method over the periods expected to be benefitted, not exceeding ten years.

Property, equipment, depreciation and depletion

Property and equipment are stated at cost. Interest costs related to major, long-term capital projects are capitalized as a component of construction costs. Maintenance, repairs and minor renewals are expensed; major improvements are capitalized.

Depreciation is computed principally by the straight-line method over the estimated useful lives of ten to forty years for buildings and three to twenty years for machinery and equipment. Depletion of mining properties is computed by the unit-of-production and straight-line methods.

Long-term debt

Long-term debt is stated net of unamortized original issue discount ("OID"). OID and deferred financing costs are amortized over the life of the applicable issue by the interest method.

Employee benefit plans

Accounting and funding policies for retirement plans and postretirement benefits other than pensions ("OPEB") are described in Note 11.

Net sales

Sales are recognized as products are shipped.

Income taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amounts of assets and liabilities, including investments in subsidiaries and unconsolidated affiliates not included in the Company's U.S. tax group (the "NL Tax Group").

Loss per share of common stock

Loss per share of common stock is based upon the weighted average number of common shares outstanding. Common stock equivalents are excluded from the computation because they are antidilutive or the dilutive effect is not material.

Note 3 - Business and geographic segments:

The Company's operations are conducted in two business segments - TiO_2 conducted by Kronos and specialty chemicals conducted by Rheox. Titanium dioxide pigments are used to impart whiteness, brightness and opacity to a wide variety of products, including paints, plastics, paper, fibers and ceramics. Specialty chemicals include rheological additives which control the flow and leveling characteristics of a variety of products, including paints, inks, lubricants, sealants, adhesives and cosmetics. General corporate assets consist principally of cash, cash equivalents and marketable securities. At December 31, 1994, the net amounts of non-U.S. subsidiaries included in consolidated net assets approximated $72 million.

	Years ended December 31,		
	1992	1993	1994
	(In thousands)		
Business segments			
Net sales:			
Kronos	$ 784,568	$ 697,048	$770,077
Rheox	108,897	108,275	117,877
	$ 893,465	$ 805,323	$887,954
Operating income:			
Kronos	$ 81,941	$ 36,146	$ 80,515
Rheox	28,792	26,254	30,837
	110,733	62,400	111,352
General corporate income (expense):			
Securities earnings	8,216	8,467	3,855
Expenses, net	(43,452)	(41,516)	(44,686)
Interest expense	(118,511)	(99,119)	(83,926)
	$ (43,014)	$ (69,768)	$(13,405)
Capital expenditures:			
Kronos	$ 81,872	$ 46,913	$ 34,522
Rheox	3,064	1,069	2,283
General corporate	214	4	126
	$ 85,150	$ 47,986	$ 36,931
Depreciation, depletion and amortization:			
Kronos	$ 44,360	$ 42,877	$ 31,156
Rheox	3,184	3,176	3,153
General corporate	285	287	283
	$ 47,829	$ 46,340	$ 34,592
Geographic areas			
Net sales - point of origin:			
United States	$ 238,170	$ 270,288	$ 303,475
Europe	643,670	519,064	587,291
Canada	138,656	132,930	122,957
Eliminations	(127,031)	(116,959)	(125,769)
	$ 893,465	$ 805,323	$ 887,954

	Years ended December 31,		
	1992	1993	1994
	(In thousands)		
Net sales - point of destination:			
United States	$ 204,270	$ 217,892	$ 238,568
Europe	518,711	418,072	468,915
Canada	72,692	76,078	64,374
Other	97,792	93,281	116,097
	$ 893,465	$ 805,323	$ 887,954
Operating income:			
United States	$ 629	$ 20,981	$ 49,358
Europe	81,805	19,658	50,273
Canada	28,299	21,761	11,721
	$ 110,733	$ 62,400	$ 111,352

	December 31,		
	1992	1993	1994
	(In thousands)		
Identifiable assets			
Business segments:			
Kronos	$1,246,186	$1,008,453	$ 950,200
Rheox	76,248	75,362	83,176
General corporate	149,673	122,734	129,034
	$1,472,107	$1,206,549	$1,162,410
Geographic segments:			
United States	$ 498,029	$ 326,831	$ 308,017
Europe	671,349	622,826	594,921
Canada	153,056	134,158	130,438
General corporate	149,673	122,734	129,034
	$1,472,107	$1,206,549	$1,162,410

Note 4 - Marketable securities and securities transactions:

	December 31,	
	1993	1994
	(In thousands)	
Trading securities - current U.S. Treasury securities:		
Unrealized gains (losses)	$ 52	$(1,124)
Cost	40,993	26,289
Aggregate market	$41,045	$25,165
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	$ 33	$ 3,357
Unrealized losses	(2,951)	(3,374)
Cost	21,346	21,346
Aggregate market	$18,428	$21,329

Net gains and losses from securities transactions are composed of:

	Years ended December 31,		
	1992	1993	1994
		(In thousands)	
Unrealized gains (losses)	$ (565)	$3,520	$(1,177)
Realized gains (losses)	478	843	(43)
Writedown of noncurrent marketable equity securities	(5,931)	-	-
	$(6,018)	$4,363	$(1,220)

Note 5 - Inventories:

	December 31,	
	1993	1994
	(In thousands)	
Raw materials	$ 19,785	$ 30,118
Work in process	7,173	7,655
Finished products	135,102	112,410
Supplies	32,107	34,990
	$194,167	$185,173

Note 6 - Investment in joint ventures:

	December 31,	
	1993	1994
	(In thousands)	
TiO_2 manufacturing joint venture	$188,031	$185,122
Other	2,756	2,358
	$190,787	$187,480

In October 1993, Kronos Louisiana, Inc. ("KLA"), a wholly-owned subsidiary of Kronos, formed a manufacturing joint venture, Louisiana Pigment Company, L.P. ("LPC"), with Tioxide Group, Ltd., a wholly-owned subsidiary of Imperial Chemicals Industries PLC ("Tioxide"). LPC, which is equally owned by KLA and a subsidiary of Tioxide, owns and operates the Louisiana chloride process TiO_2 plant formerly owned by KLA. LPC has long-term debt that is collateralized by the partnership interests of the partners and substantially all of the assets of LPC. The long-term debt consists of two tranches, one attributable to each partner, and each tranche is serviced through (i) the purchase of the plant's TiO_2 output in equal quantities by the partners and (ii) cash capital contributions. KLA is required to purchase one-half of the TiO_2 produced by LPC. KLA's tranche of LPC's debt is reflected as outstanding indebtedness of the Company because Kronos has guaranteed the purchase obligation relative to the debt service of its tranche. See Note 10.

LPC is intended to be operated on a break-even basis and, accordingly, Kronos' transfer price for its share of the TiO_2 produced is equal to its share of LPC's production costs and interest expense. Kronos' share of the production costs are reported as cost of sales as the related TiO_2 acquired from LPC is sold, and its share of the interest expense is reported as a component of interest expense.

Summary balance sheets of LPC are shown below.

	December 31,	
	1993	1994
ASSETS	(In thousands)	
Current assets	$ 44,477	$ 38,052
Other assets	2,376	1,969
Property and equipment, net	347,344	344,806
	$394,197	$384,827
LIABILITIES AND PARTNERS' EQUITY		
Long-term debt, including current portion:		
Kronos tranche	$104,143	$ 88,715
Tioxide tranche	102,600	81,000
Other liabilities, primarily current	16,197	12,355
	222,940	182,070
Partners' equity	171,257	202,757
	$394,197	$384,827

Summary income statements of LPC are shown below.

	Period from October 18, 1993 to December 31, 1993	Year ended December 31, 1994
Revenues and other income:		
Kronos	$12,713	$ 70,492
Tioxide	12,617	67,218
Interest income	72	462
	25,402	138,172
Cost and expenses:		
Cost of sales	22,803	126,972
General and administrative	443	572
Interest	2,156	10,628
	25,402	138,172
Net income	$ -	$ -

Note 7 - Other noncurrent assets:

	December 31,	
	1993	1994
	(In thousands)	
Intangible assets, net of accumulated amortization of $11,941 and $16,149	$15,317	$13,957
Deferred financing costs, net	18,954	16,079
Other	8,084	7,231
	$42,355	$37,267

Note 8 - Accounts payable and accrued liabilities:

	December 31,	
	1993	1994
	(In thousands)	
Accounts payable	$ 89,010	$ 74,903
Accrued liabilities:		
Employee benefits	32,350	34,209
Environmental costs	14,517	10,433
Interest	6,933	6,485
Miscellaneous taxes	2,240	7,336
Other	32,215	34,961
	88,255	93,424
	$177,265	$168,327

Note 9 - Other noncurrent liabilities:

	December 31,	
	1993	1994
	(In thousands)	
Environmental costs	$ 70,789	$ 93,655
Insurance claims expenses	10,299	14,716
Deferred technology fee income	26,881	18,305
Employee benefits	10,084	12,322
Other	3,256	2,520
	$121,309	$141,518

Note 10 - Long-term debt:

	December 31,	
	1993	1994
	(In thousands)	
NL Industries:		
11.75% Senior Secured Notes	$250,000	$250,000
13% Senior Secured Discount Notes	102,627	116,409
	352,627	366,409
Kronos:		
DM bank credit facility (DM 548,000 and DM 397,610, respectively)	316,032	255,703
LPC term loan	104,143	88,715
Other	14,513	10,507
	434,688	354,925
Rheox:		
Bank term loan	82,500	67,500
Other	1,070	815
	83,570	68,315
	870,885	789,649
Less current maturities	35,716	42,887
	$835,169	$746,762

The Company's $250 million principal amount of 11.75% Senior Secured Notes due 2003 and $188 million principal amount at maturity ($100 million proceeds at issuance) of 13% Senior Secured Discount Notes due 2005 (collectively, the "Notes") are collateralized by a series of intercompany notes from Kronos International, Inc. ("KII"), a wholly-owned subsidiary of Kronos, to NL, the terms of which mirror those of the respective Notes (the "Mirror Notes"). The Senior Secured Notes are also collateralized by a first priority lien on the stock of Kronos and a second priority lien on the stock of Rheox. The Senior Secured Notes and the Senior Secured Discount Notes are redeemable, at the Company's option, after October 2000 and October 1998, respectively, except that up to one-third of the aggregate principal amount of the Senior Secured Discount Notes are redeemable

(at 113% of the accreted value) upon any Common Stock Offering, as defined, prior to October 1996. For redemptions, other than redemptions pursuant to any Common Stock Offering, the redemption prices range from 101.5% (starting October 2000) declining to 100% (after October 2001) of the principal amount for the Senior Secured Notes and range from 106% (starting October 1998) declining to 100% (after October 2001) of the accreted value of the Senior Secured Discount Notes. In the event of a Change of Control, as defined, the Company would be required to make an offer to purchase the Notes at 101% of the principal amount of the Senior Secured Notes and 101% of the accreted value of the Senior Secured Discount Notes. The Notes are issued pursuant to indentures which contain a number of covenants and restrictions which, among other things, restrict the ability of the Company and its subsidiaries to incur debt, incur liens, pay dividends or merge or consolidate with, or sell or transfer all or substantially all of its assets to, another entity. At December 31, 1994, there were no amounts available for payment for dividends pursuant to the terms of the indentures. The Senior Secured Discount Notes do not require cash interest payments for the first five years. The net carrying value of the Senior Secured Discount Notes per $100 principal amount at maturity was $54.73 and $62.08 at December 31, 1993 and 1994, respectively.

The DM credit facility, as amended, consists of a DM 398 million term loan due from March 1997 to September 1999 and a DM 250 million revolving credit facility due no later than September 2000. At December 31, 1994, all of the revolving credit facility was available for future borrowings by KII; however, DM 125 million is available only for (i) permanently reducing the DM term loan or (ii) paying future German tax assessments. Borrowings bear interest at DM LIBOR plus 1.625% (8.19% and 6.938% at December 31, 1993 and 1994, respectively). NL and Kronos have agreed, under certain circumstances, to provide KII with up to DM 125 million through January 1, 2001. The DM credit facility is collateralized by pledges of the stock of certain KII subsidiaries. The credit agreement restricts KII's ability to incur additional indebtedness, restricts its dividends and other payments to affiliates, requires it to maintain specified debt service coverage and other ratios, and contains other provisions and restrictive covenants customary in lending transactions of this type.

Borrowings under KLA's tranche of LPC's term loan bear interest at U.S. LIBOR plus 1.625% (5.01% and 8.125% at December 31, 1993 and 1994, respectively) and are repayable in quarterly installments through September 2000. See Note 6.

Rheox has a credit agreement providing for a seven-year term loan due in quarterly installments through December 1997 and a $15 million revolving credit/letter of credit facility due September 1995. Borrowings bear interest, at Rheox's option, at prime rate plus 1.5% or U.S. LIBOR plus 2.5% (5.83% and 9.01% at December 31, 1993 and 1994, respectively), and are collateralized by the stock of Rheox and its domestic subsidiary and by Rheox's U.S. assets. The credit agreement restricts Rheox's ability to incur additional indebtedness, restricts its dividend payments and contains other provisions and restrictive covenants customary in lending transactions of this type. In connection with the credit agreement, Rheox had entered into interest rate swap agreements to mitigate the impact of changes in interest rates on the term loan. These swap agreements, which matured in December 1994, effectively converted the interest rate on $60 million of the loan from a variable rate to a fixed rate of 8.1%. At December 31, 1993, the effective interest rate on the term loan, including the impact of the swap agreements, was 7.3%.

Unused lines of credit available for borrowings under the Rheox U.S. facility and non-U.S. credit facilities totalled $14 million and $195 million, respectively, at December 31, 1994. Of the non-U.S. credit facilities available, $80 million is available only for (i) permanently reducing the DM term loan or (ii) paying future German tax assessments.

The aggregate maturities of long-term debt at December 31, 1994 are shown in the table below.

Years ending December 31,	Amount (In thousands)
1995	$ 42,887
1996	41,308
1997	97,612
1998	101,354
1999	128,457
2000 and thereafter	449,122
	860,740
Less unamortized original issue discount on the Senior Secured Discount Notes	71,091
	$789,649

Note 11 - Employee benefit plans:

Company-sponsored pension plans

The Company maintains various defined benefit and defined contribution pension plans covering substantially all employees. Personnel employed by non-U.S. subsidiaries are covered by separate plans in their respective countries and U.S. employees are covered by various plans including the Retirement Programs of NL Industries, Inc. (the "NL Pension Plan").

A majority of U.S. employees are eligible to participate in a contributory savings plan with partial matching contributions by the Company. The Company's expense related to matching contributions was $1.0 million, nil and $.3 million in 1992, 1993 and 1994, respectively.

Defined pension benefits are generally based upon years of service and compensation under fixed-dollar, final pay or career average formulas, and the related expenses are based upon independent actuarial valuations. The funding policy for U.S. defined benefit plans is to contribute amounts which satisfy funding requirements of the Employee Retirement Income Security Act of 1974, as amended. Non-U.S. defined benefit pension plans are funded in accordance with applicable statutory requirements.

The funded status of the Company's defined benefit pension plans is set forth below. The rates used in determining the actuarial present value of benefit obligations were (i) discount rates - 8.5% (1993 - 7% to 8.5%) and (ii) rates of increase in future compensation levels - nil to 6%. The expected long-term rates of return on assets used ranged from 8.5% to 9.0% (1993 - 8% to 10%). Plan assets are comprised primarily of investments in U.S. and non-U.S. corporate equity and debt securities, short-term investments, mutual funds and group annuity contracts.

SFAS No. 87, "Employers' Accounting for Pension Costs" requires that an additional pension liability be recognized when the unfunded accumulated pension benefit obligation exceeds the unfunded accrued pension liability. Variances from actuarially-assumed rates, including the rate of return on pension plan assets, will result in additional increases or decreases in accrued pension liabilities, pension expense and funding requirements in future periods. At December 31, 1994, approximately 60% of the projected benefit obligations in excess of plan assets relate to non-U.S. plans.

	Assets exceed accumulated benefits		Accumulated benefits exceed assets	
	December 31,		December 31,	
	1993	1994	1993	1994
	(In thousands)			
Actuarial present value of benefit obligations:				
Vested benefits	$40,612	$43,248	$137,156	$132,317
Nonvested benefits	3,160	3,390	2,893	2,155
Accumulated benefit obligations	43,772	46,638	140,049	134,472
Effect of projected salary increases	6,235	5,938	17,664	19,620
Projected benefit obligations ("PBO")	50,007	52,576	157,713	154,092
Plan assets at fair value	63,565	66,293	88,881	108,377
Plan assets over (under) PBO	13,558	13,717	(68,832)	(45,715)
Unrecognized net loss (gain) from experience different from actuarial assumptions	774	2,876	(4,958)	(32,808)
Unrecognized prior service cost (credit)	3,121	3,195	(3,879)	(3,255)
Unrecognized transition obligations (assets) being amortized over 15 to 18 years	(1,146)	(459)	2,586	2,606
Adjustment required to recognize minimum liability	-	-	(3,442)	(1,635)
Total prepaid (accrued) pension cost	16,307	19,329	(78,525)	(80,807)
Less current portion	-	-	(5,919)	(4,565)
Noncurrent prepaid (accrued) pension cost	$16,307	$19,329	$(72,606)	$(76,242)

The components of the net periodic defined benefit pension cost are set forth below.

	Years ended December 31,		
	1992	1993	1994
	(In thousands)		
Service cost benefits	$ 4,272	$ 4,082	$ 4,905
Interest cost on PBO	13,804	14,430	15,371
Actual return on plan assets	(12,248)	(15,647)	(8,039)
Net amortization and deferrals	(1,346)	2,413	(5,940)
	$ 4,482	$ 5,278	$ 6,297

Incentive bonus programs

The Company has incentive bonus programs for certain employees providing for annual payments, which may be in the form of NL common stock, based on formulas involving the profitability of Kronos and Rheox in relation to the annual operating plan of the employee's business unit and individual performance.

Postretirement benefits other than pensions

In addition to providing pension benefits, the Company currently provides certain health care and life insurance benefits for eligible retired employees. Certain of the Company's U.S. and Canadian employees may become eligible for such postretirement health care and life insurance benefits if they reach retirement age while working for the Company. In 1989, the Company began phasing out such benefits for currently active U.S. employees over a ten-year period. The majority of all retirees are required to contribute a portion of the cost of their benefits and certain current and future retirees are eligible for reduced health care benefits at age 65. The Company's policy is to fund medical claims as they are incurred, net of any contributions by the retirees. Effective January 1, 1993, the Company's postretirement medical plans were revised to, among other things, increase the deductible and maximum out-of-pocket amounts, increase the retiree copayment percentage and pass on future cost increases to the participants through increased contributions or decreased reimbursements.

The rates used in determining the actuarial present value of the accumulated benefit obligations were (i) discount rate - 8.5% (1993 - 7%), (ii) rate of increase in future compensation levels - 6% (1993 - 4%), (iii) rate of increase in future health care costs - 10% in 1995, gradually declining to 5% in 2000 and thereafter and (iv) expected return on plan assets - 9%. If the health care cost trend rate was increased by one percentage point for each year, postretirement benefit expense would have increased approximately $.2 million in 1994, and the actuarial present value of accumulated benefit obligations at December 31, 1994 would have increased by approximately $2.0 million.

	December 31,	
	1993	1994
	(In thousands)	
Actuarial present value of accumulated benefit obligations:		
Retiree benefits	$61,686	$51,895
Other fully eligible active plan participants	1,106	1,229
Other active plan participants	1,962	1,797
	64,754	54,921
Plan assets at fair value	8,095	7,217
Accumulated postretirement benefit obligations in excess of plan assets	56,659	47,704
Unrecognized net gain from experience different from actuarial assumptions	2,390	9,251
Unrecognized prior service credit	15,145	13,672
Total accrued postretirement benefits cost	74,194	70,627
Less current portion	5,872	5,328
Noncurrent accrued postretirement benefits cost	$68,322	$65,299

The components of the Company's net periodic postretirement benefit cost are set forth below:

	Years ended December 31,		
	1992	1993	1994
	(In thousands)		
Interest cost on accumulated benefit obligations	$6,189	$ 4,911	$ 4,338
Service cost benefits earned during the year	130	127	99
Expected return on plan assets	(650)	(647)	(688)
Net amortization and deferrals	-	(1,473)	(1,495)
	$5,669	$ 2,918	$ 2,254

Note 12 - Shareholders' deficit:

Common stock

	Shares of common stock		
	Issued	Treasury stock	Outstanding
	(In thousands)		
Balance at December 31, 1991	66,839	15,638	51,201
Purchase of treasury shares	-	311	(311)
Balance at December 31, 1992 and 1993	66,839	15,949	50,890
Treasury shares reissued	-	(162)	162
Balance at December 31, 1994	66,839	15,787	51,052

Common stock options

The 1989 Long Term Performance Incentive Plan of NL Industries, Inc. (the "NL Option Plan") provides for the discretionary grant of restricted common stock, stock options, stock appreciation rights ("SARs") and other incentive compensation to officers and other key employees of the Company. Although certain stock options and SARs granted pursuant to similar plans which preceded the NL Option Plan ("the Predecessor Option Plans") remain outstanding at December 31, 1994, no additional options may be granted under the Predecessor Option Plans.

Up to five million shares of NL common stock may be issued pursuant to the NL Option Plan. The NL Option Plan provides for the grant of options that qualify as incentive options and for options which are not so qualified. Generally, stock options and SARs (collectively, "options") are granted at a price equal to or greater than 100% of the market price at the date of grant, vest over a five year period and expire ten years from the date of grant. Restricted stock, forfeitable unless certain periods of employment are completed, is held in escrow in the name of the grantee until the restriction period expires. No SARs have been granted under the NL Option Plan. At December 31, 1994, 100,000 shares of common stock, restricted for periods up to 14 months, are included in common shares outstanding.

Changes in outstanding options granted pursuant to the NL Option Plan and the Predecessor Option Plans are summarized in the table below. At December 31, 1994, options to purchase 850,582 shares were exercisable and options to purchase 388,200 shares become exercisable in 1995. Of the exercisable options at December 31, 1994, options to purchase 468,912 shares had exercise prices less than the Company's December 31, 1994 quoted market price of $12.625 per share. At December 31, 1994, an aggregate of 2.7 million shares were available for future grants under the NL Option Plan.

	Shares	Exercise price per share	Amount payable upon exercise
	(In thousands, except per share amounts)		
Outstanding at December 31, 1991	1,051	$8.65 - 26.17	$15,992
Granted	237	9.31	2,207
Canceled or expired	(10)	9.31 - 26.17	(126)
Outstanding at December 31, 1992	1,278	8.65 - 24.19	18,073
Granted	451	5.00 - 7.00	2,645
Canceled or expired	(3)	8.65 - 10.78	(27)
Outstanding at December 31, 1993	1,726	5.00 - 24.19	20,691
Granted	673	8.69 - 10.69	6,297
Exercised	(13)	9.31 - 10.50	(119)
Canceled or expired	(13)	5.00 - 10.13	(114)
Outstanding at December 31, 1994	2,373	$5.00 - 24.19	$26,755

Preferred stock

The Company is authorized to issue a total of five million shares of preferred stock. The rights of preferred stock as to dividends, redemption, liquidation and conversion are determined upon issuance.

Note 13 - Income taxes:

The components of (i) loss before income taxes, minority interest, extraordinary item and cumulative effect of changes in accounting principles ("pretax income (loss)"), (ii) the difference between the provision for income taxes attributable to pretax income (loss) and the amounts that would be expected using the U.S. federal statutory income tax rate of 35% (34% in 1992), (iii) the provision for income taxes and (iv) the comprehensive tax provision (benefit) are presented below.

	Years ended December 31,		
	1992	1993	1994
	(In thousands)		
Pretax income (loss):			
U.S.	$(52,724)	$(41,579)	$ (6,241)
Non-U.S.	9,710	(28,189)	(7,164)
	$(43,014)	$(69,768)	$(13,405)
Expected tax benefit	$(14,625)	$(24,419)	$ (4,692)
Non-U.S. tax rates	(11,224)	(15,620)	(7,108)
Rate change adjustment of deferred taxes	-	6,823	-
Valuation allowance	20,237	40,827	24,309
Settlement of U.S. tax audits	-	-	(5,437)
Incremental tax on income of companies not included in the NL Tax Group	5,385	2,553	790
Other, net	686	2,549	1,872
	$ 459	$ 12,713	$ 9,734
Provision for income taxes:			
Current income tax expense (benefit):			
U.S.	$ (2,395)	$ (45)	$ (4,747)
Non-U.S.	21,803	14,083	2,574
	19,408	14,038	(2,173)
Deferred income tax expense (benefit):			
U.S.	33	(140)	4,405
Non-U.S.	(18,982)	(1,185)	7,502
	(18,949)	(1,325)	11,907
	$ 459	$ 12,713	$ 9,734

	Years ended December 31,		
	1992	1993	1994
		(In thousands)	
Comprehensive tax provision (benefit) allocable to:			
Pretax income (loss)	$ 459	$12,713	$9,734
Shareholders' deficit, principally deferred income taxes allocable to currency translation and marketable securities adjustments	(1,196)	(1,243)	7
	$ (737)	$11,470	$9,741

Changes in deferred income taxes related to the adoption of new accounting standards are disclosed in Note 19. The Company's valuation allowance increased in the aggregate (including the effect of foreign currency translation) by $47 million in 1993 and $31 million in 1994. The components of the net deferred tax liability are summarized below:

	December 31,			
	1993		1994	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
		(In thousands)		
Tax effect of temporary differences relating to:				
Inventories	$ 3,965	$ (2,532)	$ 4,275	$ (2,885)
Property and equipment	2,694	(90,356)	423	(102,817)
Accrued postretirement benefits cost	25,955	-	24,968	-
Accrued pension cost	9,712	(9,224)	9,363	(11,529)
Accrued environmental costs	26,784	-	34,108	-
Other accrued liabilities and deductible differences	22,070	-	32,031	-
Other taxable differences	-	(104,940)	-	(139,378)
Tax on unremitted earnings of non-U.S. subsidiaries	577	(27,742)	452	(22,416)
Tax loss and tax credit carryforwards	137,706	-	162,906	-
Valuation allowance	(133,377)	-	(164,500)	-
Gross deferred tax assets (liabilities)	96,086	(234,794)	104,026	(279,025)
Reclassification, principally netting by tax jurisdiction	(92,194)	92,194	(99,103)	99,103
Net total deferred tax assets (liabilities)	3,892	(142,600)	4,923	(179,922)
Net current deferred tax assets (liabilities)	3,315	(3,623)	2,177	(1,590)
Net noncurrent deferred tax assets (liabilities)	$ 577	$(138,977)	$ 2,746	$(178,332)

Certain of the Company's income tax returns in various U.S. and non-U.S. jurisdictions, including Germany, are being examined and tax authorities have proposed or may propose tax deficiencies. During 1994, the German tax authorities withdrew certain assessment reports which had proposed tax deficiencies of DM 100 million and remitted tax refunds aggregating DM 225 million ($136 million), including interest, on a tentative basis. The Company applied DM 174 million ($108 million) of the German tentative tax refunds to reduce outstanding borrowings under its DM credit facility. The examination of the Company's 1989 and 1990 income tax returns is continuing and additional substantial proposed tax deficiency assessments are expected. Although the Company believes that it will ultimately prevail, the Company has granted a DM 100 million ($64 million at December 31, 1994) lien on its Nordenham, Germany TiO_2 plant, and may be required to provide additional security in favor of the German tax authorities until the assessments proposing tax deficiencies are resolved. The Company believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. In November 1994, the Joint Committee on Taxation (Congressional Review) approved the Company's settlement with the Internal Revenue Service regarding examinations of the Company's 1985 and 1986 U.S. federal income tax returns which resulted in a $5 million tax benefit. In 1995, the Company expects to make examination settlement payments of $20 million in final settlement of certain German tax examinations relating to tax years prior to 1989.

At December 31, 1994, the Company had approximately $300 million of income tax loss carryforwards with no expiration dates, primarily in Germany. As a result of the German tentative tax refunds and redetermination of prior year's U.S. tax liabilities, at December 31, 1994, the Company does not anticipate having any U.S. tax attributes, including net operating loss and alternative minimum tax credits, available for carryforward for U.S. federal income tax purposes.

Note 14 - Other income, net:

	Years ended December 31,		
	1992	1993	1994
	(In thousands)		
Securities earnings:			
Interest and dividends	$14,234	$ 4,104	$ 5,075
Securities transactions	(6,018)	4,363	(1,220)
	8,216	8,467	3,855
Litigation settlement gains	-	-	22,978
Technology fee income	-	2,048	10,344
Currency transaction gains, net	1,735	3,299	1,735
Royalty income	1,014	2,016	1,508
Disposition of property and equipment	(1,419)	(199)	(1,981)
Other, net	5,251	6,453	6,389
	$14,797	$22,084	$44,828

Litigation settlement gains includes $20 million related to the Company's 1994 settlement of its lawsuit against Lockheed Corporation. Technology fee income is being amortized by the straight-line method over a three-year period beginning October 1993.

Note 15 - Other items:

Advertising costs, expensed as incurred, were $2.6 million in 1992, $2.1 million in 1993 and $1.9 million in 1994.

Research, development and sales technical support costs, expensed as incurred, approximated $11 million in 1992 and $10 million in both 1993 and 1994.

Interest capitalized in connection with long-term capital projects was $9 million in 1992 and $1 million in both 1993 and 1994.

Note 16 - Extraordinary item:

The extraordinary loss in 1993 relates to the settlement of certain interest rate swap agreements for $20 million in cash in conjunction with prepaying the Louisiana plant indebtedness and from the write-off of deferred financing costs related to such prepayment and the paydown of a portion of the DM bank credit facility. The Louisiana plant indebtedness loan agreement required the Company to enter into the interest rate swap agreements and both the debt and related swaps were collateralized by the Louisiana plant. The Company was required to prepay the Louisiana plant indebtedness and settle the swaps prior to the formation of LPC (thus making the swaps inseparable from the debt).

Note 17 - Related party transactions:

The Company may be deemed to be controlled by Harold C. Simmons. Corporations that may be deemed to be controlled by or affiliated with Mr. Simmons sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. While no transactions of the type described above are planned or proposed with respect to the Company, the Company from time to time considers, reviews and evaluates, and understands that Contran, Valhi and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, and restrictions under the indentures and other agreements, it is possible that the Company might be a party to one or more such transactions in the future.

It is the policy of the Company to engage in transactions with related parties on terms, in the opinion of the Company, no less favorable to the Company than could be obtained from unrelated parties.

The Company is a party to an intercorporate services agreements with Valhi and Contran (the "Valhi and Contran ISAs") whereby Valhi and Contran provide certain management, financial and administrative services to the Company on a fee basis. Management services fee expense related to the Valhi and Contran ISAs was $1.4 million in 1992, $.7 million in 1993 and $.6 million in 1994.

Baroid Corporation, a former wholly-owned subsidiary of the Company and a subsidiary of Dresser Industries, Inc., and the Company were parties to an intercorporate services agreement (the "Baroid ISA") pursuant to which, as amended, Baroid agreed to make certain services available to the Company on a fee basis subject to termination or renewal by mutual agreement. Management services fee expense pursuant to the Baroid ISA approximated $2.3 million in 1992, $.3 million in 1993 and $.2 million in 1994.

The Company was party to an intercorporate services agreement with Tremont (the "Tremont ISA") until June 1993 when the agreement was terminated. Under the terms of the contract, the Company provided certain management, financial and legal services to Tremont on a fee basis. Management services fee income related to the Tremont ISA was $.5 million in 1992 and $.1 million in 1993.

Purchases from Tremont in the ordinary course of business pursuant to a long-term supply contract were $.6 million in 1992, $.4 million in 1993 and nil in 1994.

Sales to Baroid in the ordinary course of business were $2.1 million in 1992 and $1.8 million in both 1993 and 1994.

Purchases in the ordinary course of business from unconsolidated joint ventures, including LPC, were approximately $9 million in 1992, $22 million in 1993 and $74 million in 1994.

Certain employees of the Company have been granted options to purchase Valhi common stock under the terms of Valhi's stock option plans. The Company and Valhi have agreed that the Company will pay Valhi the aggregate difference between the option price and the market value of Valhi's common stock on the exercise date of such options. For financial reporting purposes, the Company accounts for the related expense (nil in 1992 and 1993 and $64,000 in 1994) in a manner similar to accounting for SARs. At December 31, 1994, employees of the Company held options to purchase 365,000 shares (356,000 shares vested) of Valhi common stock at exercise prices ranging from $5 to $15 per share. At December 31, 1994, 30,000 of these options were exercisable at prices less than Valhi's quoted market price per share of $7.625.

The Company and TRE Insurance, a wholly-owned subsidiary of Tremont, are parties to an Insurance Sharing Agreement with respect to certain loss payments and reserves established by TRE Insurance that (i) arise out of claims against other entities for which the Company is responsible and (ii) are subject to payment by TRE Insurance under certain reinsurance contracts. Also, TRE Insurance will credit the Company with respect to certain underwriting profits or credit recoveries that TRE Insurance receives from independent reinsurers that relate to retained liabilities.

Net amounts payable to affiliates are summarized in the following table.

	December 31,	
	1993	1994
	(In thousands)	
Tremont Corporation	$4,777	$ 4,780
LPC	4,789	6,565
Other	-	3
	$9,566	$11,348

Amounts payable to LPC are generally for the purchase of TiO_2 (see Note 6), and amounts payable to Tremont relate to the Company's Insurance Sharing Agreement described above.

Note 18 - Commitments and contingencies:

Leases

The Company leases, pursuant to operating leases, various manufacturing and office space and transportation equipment. Most of the leases contain purchase and/or various term renewal options at fair market and fair rental values, respectively. In most cases management expects that, in the normal course of business, leases will be renewed or replaced by other leases.

Kronos' principal German operating subsidiary leases the land under its Leverkusen TiO_2 production facility pursuant to a lease expiring in 2050. The Leverkusen facility, with approximately one-third of Kronos' current TiO_2 production capacity, is located within the lessor's extensive manufacturing complex, and Kronos is the only unrelated party so situated. Under a separate supplies and services agreement, which expired in 1991 and to which an extension through 2011 has been agreed in principle, the lessor provides some raw materials, auxiliary and operating materials and utilities services necessary to operate the Leverkusen facility. Kronos and the lessor are continuing discussions regarding a definitive agreement for the extension of the supplies and services agreement. Both the lease and the supplies and services agreements restrict the Company's ability to transfer ownership or use of the Leverkusen facility.

Net rent expense aggregated $9 million in 1992 and $8 million in both 1993 and 1994. At December 31, 1993, minimum rental commitments under the terms of noncancellable operating leases were as follows:

Years ending December 31,	Real Estate	Equipment
	(In thousands)	
1995	$ 1,782	$1,582
1996	1,550	1,083
1997	1,432	602
1998	1,455	325
1999	1,325	116
2000 and thereafter	13,200	17
	$20,744	$3,725

Legal proceedings

Lead pigment litigation. Since 1987, the Company, other past manufacturers of lead pigments for use in paint and lead-based paint and the Lead Industries Association have been named as defendants in various legal proceedings seeking damages for personal injury and property damage allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of large United States cities or their public housing authorities and certain others have been asserted as class actions. These legal proceedings seek recovery under a variety of theories, including negligent product design, failure to warn, breach of warranty, conspiracy/concert of action, enterprise liability, market share liability, intentional tort, and fraud and misrepresentation.

The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and asserted health concerns associated with the use of lead-based paints, which was permitted for interior residential use in the United States until 1973, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. Most of these legal proceedings are in various pre-trial stages; several are on appeal.

The Company believes that these actions are without merit, intends to continue to deny all allegations of wrongdoing and liability and to defend all actions vigorously. The Company has not accrued any amounts for the pending lead pigment litigation. Considering the Company's previous involvement in the lead and lead pigment businesses, there can be no assurance that additional litigation similar to that currently pending will not be filed.

Environmental matters and litigation. Some of the Company's current and former facilities, including several divested secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or of investigations arising under federal and state environmental laws. Additionally, in connection with past disposal practices, the Company has been named a potential responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA") in approximately 80 governmental enforcement and private actions associated with hazardous waste sites and former mining locations, some of which are on the U.S. Environmental Protection Agency's Superfund National Priorities List. These actions seek cleanup costs and/or damages for personal injury or property damage. While the Company may be jointly and severally liable for such costs, in most cases, it is only one of a number of PRPs who are also jointly and severally liable. In addition, the Company is a party to a number of lawsuits filed in various jurisdictions alleging CERCLA or other environmental claims. At December 31, 1994, the Company had accrued $87 million in respect of those environmental matters which are reasonably estimable. It is not possible to estimate the range of costs for certain sites. The upper end of the range of reasonably possible costs to the Company for sites which it is possible to estimate costs is approximately $160 million. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes respecting site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of

amounts currently estimated by the Company to be required for such matters. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

Certain of the Company's businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws. As with other companies engaged in similar businesses, certain operations and products of the Company have the potential to cause environmental or other damage. The Company continues to implement various policies and programs in an effort to minimize these risks. The Company's policy is to comply with environmental laws and regulations at all of its facilities and to continually strive to improve environmental performance in association with applicable industry initiatives. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could affect the Company's production, handling, use, storage, transportation, sale or disposal of such substances.

Other litigation. The Company is also involved in various other environmental, contractual, product liability and other claims and disputes incidental to its present and former businesses.

The Company currently believes the disposition of all claims and disputes individually or in the aggregate, should not have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

Concentrations of credit risk

Sales of TiO_2 accounted for almost 90% of net sales during the past three years. TiO_2 is sold to the paint, paper and plastics industries. Such markets are generally considered "quality-of-life" markets whose demand for TiO_2 is influenced by the relative economic well-being of the various geographic regions. TiO_2 is sold to over 5,000 customers, none of which represents a significant portion of net sales. In each of the past three years, approximately one-half of the Company's TiO_2 sales by volume were to Europe and approximately 33% in 1992, 38% in 1993 and 36% in 1994 of sales were attributable to North America.

Consolidated cash and cash equivalents includes $64 million and $80 million invested in U.S. Treasury securities purchased under short-term agreements to resell at December 31, 1993 and 1994, respectively, of which $56 million and $73 million, respectively, of such securities are held in trust for the Company by a single U.S. bank.

Note 19 - Changes in accounting principles:

In 1993, the Company adopted SFAS No. 115 (marketable securities) as of December 31, 1993. In 1992, the Company (i) elected early compliance with both SFAS No. 106 (OPEB) and SFAS No. 109 (income taxes) as of January 1, 1992; (ii) elected immediate recognition of the OPEB transition obligation; and (iii) elected to apply SFAS No. 109 prospectively and not restate prior years. The cumulative effect of changes in accounting principles adjustments are shown below.

	Amount reflected in	
	Earnings	Equity component
	(In thousands)	
Increase (decrease) in net assets at December 31, 1993 - SFAS No. 115:		
Marketable securities	$1,872	$(1,872)
Deferred income taxes	(655)	655
	$1,217	$(1,217)

	Amount
	(In thousands)
Increase (decrease) in net assets at January 1, 1992 - SFAS Nos. 106 and 109:	
Accrued postretirement benefits cost	$(74,918)
Deferred income taxes, net	43,114
	$(31,804)

Note 20 - Financial instruments:

Summarized below is the estimated fair value and related net carrying value of the Company's financial instruments.

	December 31, 1993		December 31, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	$ 106.6	$106.6	$ 131.1	$131.1
Marketable securities - classified as:				
Trading securities	41.1	41.1	25.2	25.2
Available-for-sale	18.4	18.4	21.3	21.3
Notes payable and long-term debt:				
Fixed rate with market quotes:				
Senior Secured Notes	$ 250.0	$260.0	$ 250.0	$247.1
Senior Secured Discount Notes	102.6	108.3	116.4	114.8
Rheox debt with rates fixed via interest rate swaps	60.0	61.0	-	-
Variable rate debt	458.3	458.3	423.2	423.2
Common shareholders' equity (deficit)	$(264.8)	$229.0	$(293.1)	$644.5

Fair value of the Company's marketable securities and Notes are based upon quoted market prices and the fair value of the Company's common shareholder's equity (deficit) is based upon quoted market prices for NL's common stock. The fair value of debt on which interest rates have been effectively fixed through the use of interest rate swaps (a portion of Rheox's U.S. term loans in 1993) is deemed to approximate the book value of the debt plus or minus the fair value of the related swaps. The fair value of Rheox's interest rate swaps is estimated to be a $1 million payable at December 31, 1993. Such fair value represents the estimated amount the Company would pay if it were to terminate the swap agreements at that date. The fair value of swap agreements is estimated by obtaining quotes from the counter party financial institutions. The fair value of variable interest rate debt is deemed to approximate book value. With the exception of certain interest rate cap agreements that have a carrying value of $.5 million and a fair value of nil, the Company holds no derivative financial instruments at December 31, 1994.

Note 21 - Quarterly financial data (unaudited):

	Quarter ended,			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands, except per share amounts)			
Year ended December 31, 1993:				
Net sales	$198,518	$221,378	$202,096	$183,331
Cost of sales	142,506	171,671	156,894	141,296
Operating income	23,105	15,166	12,773	11,356
Loss before extraordinary item and cumulative effect of change in accounting principle	$(13,490)	$(28,002)	$(18,722)	$(22,997)
Extraordinary item	-	-	-	(27,815)
Cumulative effect of change in accounting principle	-	-	-	1,217
Net loss	$(13,490)	$(28,002)	$(18,722)	$(49,595)
Per share of common stock:				
Loss before extraordinary item and cumulative effect of change in accounting principle	$ (.27)	$ (.55)	$ (.37)	$ (.44)
Extraordinary item	-	-	-	(.55)
Cumulative effect of change in accounting principle	-	-	-	.02
Net loss	$ (.27)	$ (.55)	$ (.37)	$ (.97)
Weighted average shares outstanding	50,890	50,890	50,890	50,890
Year ended December 31, 1994:				
Net sales	$201,849	$237,113	$225,200	$223,792
Cost of sales	146,956	178,925	168,033	155,831
Operating income	22,313	26,242	27,093	35,704
Net income (loss)	$ (6,367)	$(15,534)	$ (4,578)	$ 2,497
Net income (loss) per share of common stock	$ (.12)	$ (.30)	$ (.09)	$ .05
Weighted average shares outstanding	50,965	51,040	51,040	51,045

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

Our report on the consolidated financial statements of NL Industries, Inc. is included on page F-2 of this Annual Report on Form 10-K. As discussed in Notes 2 and 19 to the consolidated financial statements, the Company changed its method of accounting for marketable securities in 1993 and, the Company changed its method of accounting for postretirement benefits other than pensions and income taxes in 1992. In connection with our audits of such financial statements, we have also audited the related financial statement schedules listed in the index on page F-1.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Houston, Texas
February 3, 1995

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Condensed Balance Sheets

December 31, 1993 and 1994

(In thousands)

	1993	1994
Current assets:		
Cash and cash equivalents	$ 11,107	$ 18,371
Marketable securities	41,045	25,165
Accounts and notes receivable	2,088	1,274
Receivable from subsidiaries	980	2,854
Prepaid expenses	248	747
Total current assets	55,468	48,411
Other assets:		
Marketable securities	18,428	21,329
Notes receivable from subsidiary	352,627	366,409
Investment in subsidiaries	(156,615)	(181,751)
Other	10,713	9,214
Total other assets	225,153	215,201
Property and equipment, net	3,925	3,732
	$ 284,546	$ 267,344
Current liabilities:		
Accounts payable and accrued liabilities	$ 38,176	$ 33,248
Payable to affiliates	4,777	4,783
Income taxes	93	186
Deferred income taxes	3,627	1,436
Total current liabilities	46,673	39,653
Noncurrent liabilities:		
Long-term debt	352,627	366,409
Deferred income taxes	27,182	9,546
Accrued pension cost	16,164	14,021
Accrued postretirement benefits cost	42,216	40,711
Other	64,479	90,086
Total noncurrent liabilities	502,668	520,773
Shareholders' deficit	(264,795)	(293,082)
	$ 284,546	$ 267,344

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Operations

Years ended December 31, 1992, 1993 and 1994

(In thousands)

	1992	1993	1994
Revenues and other income:			
Equity in income (loss) of subsidiaries	$(10,703)	$ (49,766)	$ 7,925
Interest and dividends	2,829	3,622	2,538
Interest income from subsidiary	-	8,358	43,157
Securities transactions	2,691	3,637	(1,220)
Other income, net	1,791	2,597	3,135
	(3,392)	(31,552)	55,535
Costs and expenses:			
General and administrative	45,243	44,113	69,875
Interest	1,598	13,771	44,003
	46,841	57,884	113,878
Loss before income taxes, extraordinary item and cumulative effect of changes in accounting principles	(50,233)	(89,436)	(58,343)
Income tax benefit	5,637	6,225	34,361
Loss before extraordinary item and cumulative effect of changes in accounting principles	(44,596)	(83,211)	(23,982)
Extraordinary item - equity in income of subsidiaries	-	(27,815)	-
Cumulative effect of changes in accounting principles:			
NL	(30,546)	1,217	-
Equity in income of subsidiaries	(1,258)	-	-
	(31,804)	1,217	-
Net loss	$(76,400)	$(109,809)	$(23,982)

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Cash Flows

Years ended December 31, 1992, 1993 and 1994

(In thousands)

	1992	1993	1994
Cash flows from operating activities:			
Net loss	$(76,400)	$(109,809)	$(23,982)
Undistributed earnings of subsidiaries:			
Equity in (income) loss before extraordinary item and cumulative effect of changes in accounting principles	10,703	49,766	(7,925)
Extraordinary item	-	27,815	-
Cumulative effect of changes in accounting principles	1,258	-	-
Distributions	54,000	-	30,000
Non-cash interest expense	-	165	845
Deferred income taxes	843	1,510	(20,577)
Securities transactions	(2,691)	(3,637)	1,220
Cumulative effect of changes in accounting principles	30,546	(1,217)	-
Other, net	400	(1,268)	(3,836)
	18,659	(36,675)	(24,255)
Change in assets and liabilities, net	6,340	14,428	23,263
Marketable trading securities:			
Purchases	-	-	(870)
Dispositions	-	-	15,530
Net cash provided (used) by operating activities	24,999	(22,247)	13,668
Cash flows from investing activities:			
Investment in subsidiary	(3,896)	(6,478)	(6,630)
Capital expenditures	(214)	(4)	(126)
Loans to subsidiaries	-	(341,500)	-
Purchases of marketable securities	(1,238)	(10,899)	-
Proceeds from disposition of marketable securities	6,735	69,232	-
Other, net	(768)	667	402
Net cash provided (used) by investing activities	619	(288,982)	(6,354)

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Cash Flows (Continued)

Years ended December 31, 1992, 1993 and 1994

(In thousands)

	1992	1993	1994
Cash flows from financing activities:			
Borrowings of (principal payments on):			
Long-term debt	$(14,873)	$ 327,340	$ (170)
Loans from affiliates	12,298	(16,047)	-
Dividends paid	(17,807)	-	-
Other, net	(3,660)	-	120
Net cash provided (used) by financing activities	(24,042)	311,293	(50)
Cash and cash equivalents:			
Increase (decrease) from:			
Operating activities	24,999	(22,247)	13,668
Investing activities	619	(288,982)	(6,354)
Financing activities	(24,042)	311,293	(50)
Net change from operating, investing and financing activities	1,576	64	7,264
Balance at beginning of year	9,467	11,043	11,107
Balance at end of year	$ 11,043	$ 11,107	$ 18,371

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Notes to Condensed Financial Information

Note 1 - Basis of presentation:

The Consolidated Financial Statements of NL Industries, Inc. (the "Company") and the related Notes to Consolidated Financial Statements are incorporated herein by reference.

Note 2 - Net payable to (receivable from) subsidiaries and affiliates:

	December 31,	
	1993	1994
	(In thousands)	
Current:		
Tremont Corporation	$ 4,777	$ 4,780
Other	-	3
Kronos and Rheox:		
Income taxes	3,123	1,043
Other, net	(4,103)	(3,897)
	$ 3,797	$ 1,929
Noncurrent:		
Note receivable - Kronos	$(352,627)	$(366,409)

Note 3 - Long-term debt:

	December 31,	
	1993	1994
	(In thousands)	
11.75% Senior Secured Notes	$250,000	$250,000
13% Senior Secured Discount Notes	102,627	116,409
	$352,627	$366,409

See Note 10 of the Consolidated Financial Statements for a description of the Notes.

The aggregate maturities of the Company's long-term debt at December 31, 1994 are shown in the table below.

	Amount (In thousands)
Senior Secured Notes due 2003	$250,000
Senior Secured Discount Notes due 2005	187,500
	437,500
Less unamortized original issue discount on the Senior Secured Discount Notes	71,091
	$366,409

The Company and Kronos have agreed, under certain circumstances, to provide Kronos' principal international subsidiary with up to DM 125 million through January 1, 2001.

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance at beginning of year	Charged to costs and expenses	Deductions	Currency translation adjustments	Balance at end of year
Year ended December 31, 1994:					
Allowance for doubtful accounts and notes receivable	$ 3,008	$ 1,141	$ (616)(a)	$ 216	$ 3,749
Amortization of intangibles	$ 11,941	$ 2,901	$ -	$ 1,307	$ 16,149
Valuation allowance for deferred income taxes	$133,377	$24,309	$ -	$ 6,814	$164,500
Year ended December 31, 1993:					
Allowance for doubtful accounts and notes receivable	$ 2,385	$ 1,216	$ (476)(a)	$ (117)	$ 3,008
Amortization of intangibles	$ 9,792	$ 2,863	$ -	$ (714)	$ 11,941
Valuation allowance for deferred income taxes	$ 86,031	$50,562(b)	$ -	$(3,216)	$133,377
Year ended December 31, 1992:					
Allowance for doubtful accounts and notes receivable	$ 1,749	$ 945	$ (190)(a)	$ (119)	$ 2,385
Amortization of intangibles	$ 7,270	$ 2,989	$ -	$ (467)	$ 9,792
Valuation allowance for deferred income taxes	$ -	$86,031(b)	$ -	$ -	$ 86,031

(a) Amounts written off, less recoveries.

(b) Includes (i) amounts recorded at the date of adoption of SFAS 109 in 1992 reported as a component of cumulative effect of changes in accounting principles and (ii) amounts recorded as part of extraordinary item in 1993.

NL INDUSTRIES, INC. INSURANCE COVERAGE

Primary Coverage

ELAC : Employers' Liability Assurance Corp., LTD.
Policy Period -- 2/1/66 - 2/1/67
Policy No. -- CLE16-9004-475
BI -- $300,000 ea. person; $1 million ea. accident (policy period)

ELAC : Employers' Liability Assurance Corp., LTD
Policy Period -- 2/1/67 - 2/1/68
Policy No. -- CLE16-9004-520
BI -- $300,000 ea. person; $1 million ea. occurrence; $1 million aggregate

MISSING Policy:
Policy Period -- 2/1/68 - 2/1/69
Policy No. -- CLE16-9004-562

ELAC : 3 Employers' Liability Assurance Corp., LTD
Policy Period -- 2/1/69 - 2/1/70
Policy No. -- E16-9004-622
BI -- $300,000 ea. person; $1 million ea. occurrence; $1 million aggregate

ECU : 1 Employers' Commercial Union Insurance Co. of America
Policy Period -- 2/1/70 - 2/1/71
Policy No. -- E-Y-9004-663
BI -- $300,000 ea. person; $1 million ea. occurrence; $1 million aggregate
PD -- $1 million ea. occurrence; $1 million aggregate (effective 5/1/70)

ECU : 2 Employers' Commercial Union Insurance Co. of America
Policy Period -- 2/1/71 - 2/1/74
Policy No. -- E-Y-9004-723
BI -- $300,000 ea. person; $1 million ea. occurrence; $1 million aggregate
PD -- $1 million ea. occurrence; $1 million aggregate

CU : 1
Commercial Union Insurance Co.
Policy Period -- 2/1/74 - 3/1/77
Policy No. -- CLCY-9004-853
BI -- $ 1 million ea. occurrence; $1 million aggregate
PD -- $ 1 million ea. occurrence; $1 million aggregate

CU : 2
Commercial Union Insurance Co.
Policy Period -- 3/1/77 - 3/1/78
Policy No. -- CLCY-9004-962
BI -- $1 million ea. occurrence; $1 million aggregate
PD -- $1 million ea. occurrence; $1 million aggregate;

INA : 1
Insurance Co. of North America
Policy Period -- 1/1/78 - 3/1/79
Policy No. -- SCG-1020
BI and PD Combined -- $1 million ea. occurrence;
$3 million aggregate

INA : 2
Insurance Company of North America
Policy Period -- 3/1/79 - 3/1/80
Policy No. -- SCG-1053
BI and PD Combined -- $1 million ea. occurrence;
$3 million aggregate

INA : 3
Insurance Company of North America
Policy Period -- 3/1/80 - 3/1/81
Policy No. -- SCG-1186
BI and PD Combined -- $1 million ea. occurrence;
$3 million aggregate

INA : 4
Insurance Company of North America
Policy Period -- 3/1/81 - 3/1/82
Policy No. -- SCG-GO-002540-9
BI and PD Combined -- $1 million ea. occurrence;
$3 million aggregate

INA : 5
Insurance Company of North America
Policy Period -- 3/1/82 - 3/1/83
Policy No. -- SCG-GO-134131-5
BI and PD Combined -- $1 million ea. occurrence;
$3 million aggregate

INA : Insurance Company of North America
6 Policy Period -- 3/1/83 - 3/1/84
Policy No. -- SCG-209747
BI and PD Combined -- $1 million ea. occurrence; $3 million aggregate

INA : Insurance Company of North America
7 Policy Period -- 3/1/84 - 3/1/85
Policy No. -- SCG-GO-313031-9
BI and PD Combined -- $1 million ea. occurrence; $3 million aggregate

INA : Insurance Company of North America
8 Policy Period -- 3/1/85 - 3/1/86
Policy No. -- SCG-GO-704408-2
BI and PD Combined -- $2 million ea. occurrence; $4 million aggregate

Umbrella Coverage

ELAC : Employers' Liability Assurance Corp.
4 Policy Period -- 12/26/63 - 2/1/67
Policy No. -- E16-9004-286
12/26/63 - 2/1/64: $2 million ea. occurrence; $2 million aggregate; Effective: 2/1/64; $5 million ea. occurrence; $5 million aggregate (every 12 months)

Underlying Insurance:
Primary Policy:
BI -- $300,000 ea. person; $1 million ea. occurrence; $1 million aggregate
PD -- $1 million ea. accident

ECU : Employers Commercial Union Insurance Co. of America
3 Policy Period -- 2/1/70 - 2/1/75
Policy No. -- EY-9004-671
2/1/70 - 7/14/70: $6 million ea. occurrence; $6 million aggregate; Effective 7/14/70: $10 million ea. occurrence; $10 million aggregate; Effective 2/28/73: $30 million ea. occurrence; $30 million aggregate; (every 12 months)

Underlying Insurance:
Primary Policy:
BI -- $300,000 ea. person; $1 million ea. occurrence; $1 million aggregate
PD -- $1 million ea. occurrence; $1 million aggregate

Excess Coverage

INA : Insurance Company of North America (CIGNA)
9 Policy Period -- 3/1/86 - 3/1/87
Policy No. -- HDC-GO-86342-3-3
$1.5 million ea. occurrence; $3 million annual aggregate, where applicable in excess of $1 million S.I.R. per occurrence; (ea. policy year)
"claims made" coverage

CIG : CIGNA
1 Policy Period -- 3/1/87 - 8/15/88
Policy No. -- XSL-G1-008190-7
$500,000 ea. occurrence; $1 million products aggregate; $1 million all other GL aggregate in excess of $2 million ea. occurrence S.I.R.
"claims made" coverage

CIG: CIGNA
Policy Period -- 8/15/88 - 8/15/89
Policy No. -- XSL-G1-023532-7
$1 million ea. occurrence; $3 million aggregate; excess of $1.5 million ea. occurrence S.I.R.

AIG: American International Group (Primary)
Policy Period -- 8/15/89 - 8/1/90
Policy No. -- RMGL-4597092
$1.0mm excess $1.5mm retention

Excess Liability
Various underwriters
Limit $200mm XS primary

AIG: AIG
Policy Period: -- 8/1/90 - 8/1/91
Policy No: --RMGL 249-86-33
$1.mm excess of $1.5mm retention

Excess Liability -- Various underwriters
$200mm excess of primary policies

AIG: AIG
Policy Period -- 8/1/91 - 8/1/92
Policy No: - RMGL 325-79-75
$1.mm excess of $1.5mm retention

Excess Liability -- Various underwriters
$200mm excess of primary policies

AIG: AIG
Policy Period -- 8/1/92 - 8/1/93
Policy No: - RMGL 326-50-40
$1.mm excess of $500,000 retention

Excess Liability -- Various underwriters
$200mm excess of primary policies

ZURICH: Zurich-American Insurance Company
Policy Period -- 8/1/93 - 8/1/94
Policy No: GLO 6863904-00
$2mm excess of $500,000 retention

Excess Liability -- Various underwriters
$200mm excess of primary policies

ZURICH: Zurich-American Insurance Company
Policy Period -- 8/1/94 - 8/1/95
Policy No: GLO 6863904-01
$2mm excess of $500,000 retention

Excess Liability -- Various underwriters
$200mm excess of primary policies

ATTACHMENT K
RESPONDS TO QUESTION

29

STATE OF MISSOURI

ROY D. BLUNT
SECRETARY OF STATE

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, ROY D. BLUNT, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT THE RECORDS IN MY OFFICE AND IN MY CARE AND CUSTODY REVEAL THAT

N L INDUSTRIES, INC.

USING IN MISSOURI THE NAME

N L INDUSTRIES, INC.

A NEW JERSEY CORPORATION FILED ITS EVIDENCE OF INCORPORATION WITH THIS STATE ON THE 9TH DAY OF NOVEMBER, 1892, AND IS IN GOOD STANDING, HAVING FULLY COMPLIED WITH ALL REQUIREMENTS OF THIS OFFICE.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 9TH DAY OF AUGUST, 1990.

Roy D. Blunt
Secretary of State

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

NOV 2 2 1994

Mr. Walter Nowotny, Jr.
Secretary and General Counsel
The Doe Run Resources Company
1801 Park 270 Drive
Suite 300
St. Louis, MO 63146

Re: Tar Creek Superfund Site information request letter dated September 29, 1994; October 5, 1994, meeting at EPA.

Dear Mr. Nowotny:

This is to provide you with the United States Environmental Protection Agency's (EPA's) responses to certain requests regarding EPA's September 29, 1994, information request letter concerning the Tar Creek Superfund Site (Site) in Ottawa County, Oklahoma. This letter was sent to the following companies: ASARCO, Inc., Blue Tee Corp., Childress Royalty Company, Inc., Gold Fields Mining Corporation, NL Industries, Inc., and The Doe Run Resources Corporation (hereinafter the Respondents). Certain requests were raised by the representatives of the Respondents, as a group, at the meeting with EPA officials at EPA Region 6 offices on October 5, 1994. A listing of the representatives of the Respondents (hereinafter the representatives), including yourself, is enclosed.

1. <u>Information regarding companies other than the Respondent, its parents, subsidiaries, predecessors, and other related entities</u>

In EPA's September 29, 1994, letter, EPA requested, in various questions, that each Respondent provide certain information it may have regarding certain companies other than the Respondent, the Respondent's parents, subsidiaries, predecessors, and other entities related to the Respondent. In the October 5 meeting, the representatives said, if a Respondent were to provide such information regarding other Respondents, that the disclosure of such information could jeopardize the relationship which the Respondents have developed as they worked together concerning the remediation of environmental problems in Oklahoma, Kansas, and Missouri. The representatives requested that a modification of EPA's information request be made so that each Respondent would only be required to provide information regarding itself, its parents, its subsidiaries, its successors, and other related entities, but not regarding other unrelated

Accordingly, in order to preserve the working relationships which the Respondents have with each other and with other companies, with respect to remediation of the environment, EPA agrees that, for the purposes of EPA's September 29, 1994, information request only, each Respondent may, at its discretion, limit its responses to questions 11, 12, 13, 14, 15, 17, 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, and 31 through 43 to information regarding itself, its parents, its subsidiaries, its successors, and other entities related to the Respondent (the term "entities related to the Respondent" is to be construed in the broadest possible sense to be as inclusive as possible). Furthermore, in response to those questions only, each Respondent need not provide information regarding other, unrelated, companies unless the Respondent chooses to do so.

2. Collective answers to certain questions

The representatives also suggested that the Respondents answer certain questions collectively. The representatives suggested, due to the nature of the information requested, that the Respondents could give better answers to certain questions if the Respondents were to work together to answer the questions. The representatives said that this would benefit EPA in that it would provide the information in a single format.

EPA agrees that it would save EPA time and money if the information requested from the Respondents was provided in a single format. EPA agrees that, by working collectively, the Respondents could provide more useful information in response to certain questions in the September 29, 1994, letter. Accordingly, EPA agrees that, for purposes of EPA's September 29, 1994, letter only, the Respondents may respond collectively to the following questions in the letter, as long as all the information which the individual responses would have provided is included in the common response: 17, 19, 20, 21, 22, 23, 24, 25, and 26.

3. Clarification of question 22's request for information regarding "boring"

The representatives also asked, in response to question 22 which refers to "boring," whether the Respondents were required to provide information regarding test boreholes. The representatives stated that hundreds of such boreholes were made with little or no significant environmental impact. The representatives said that it would be burdensome, and useless to compile this information. The representatives requested that question 22 be modified accordingly. As we discussed, EPA could also use information regarding the sinking of mine shafts which was not referred to in question 22.

In response to the representatives' request, EPA agrees that, for purposes of EPA's September 29, 1994, letter only, the word "boring" in question 22 does not include test boreholes. In addition, please insert the words "shaft sinking" after the comma which follows the word "boring" in question 22, add another comma at the end of the inserted word "sinking," and answer the question as revised.

4. Questions 17, 19, and 21 concerning property interests

The representatives asked, in response to questions 17, 19, and 21, whether the Respondents were required to provide information regarding Site property and Ottawa County property which was leased or subleased by the Respondents, but which was never the site of any operation, including, but not limited to disposal. The representatives requested that the Respondents not be required to provide information about the hundreds of leases and subleases which were entered into on a contingency basis (in case the land was needed at a later time), but which were never used.

In response to the representatives' request, EPA agrees to modify questions 17, 19 and 21. EPA agrees that, for purposes of questions 17, 19, and 21 in EPA's September 29, 1994, letter only, Site property or Ottawa County property which was or is currently leased or subleased by Respondents need only be identified if the property was or is currently used by Respondents for mining, milling, smelting, processing, or related operations. An exception to EPA's modification of questions 17, 19, and 21 is that all Site property or Ottawa County property leased or subleased by Respondents, upon which mining or milling materials (including, but not limited to, ore, mining wastes or milling wastes) have come to be located at any time, must be identified and listed by Respondents in response to all parts of questions 17, 19, and 21, whether or not the property was ever used for any operations. In all other respects, Respondents must respond to questions 17, 19, and 21 as set forth in EPA's September 29, 1994, letter.

5. Use of U.S. Bureau of Mines' production records

The representatives stated that the respective Respondents' production records lacked continuity and that U.S. Bureau of Mines' production records alone would serve EPA's purposes in this regard. The representatives suggested that questions regarding ore production be answered using U.S. Bureau of Mines' records and not company records. The representatives said that the U.S. Bureau of Mines' reports were the best source for production information.

EPA agrees that it would be costly and time-consuming for EPA to sort through years and years of sporadically developed production records in various formats. In response to the representatives' suggestion, EPA agrees that, for the purposes of question 22 in EPA's September 29, 1994, letter only, "production records" means U.S. Bureau of Mines' production records. EPA also agrees, that, if the U.S. Bureau of Mines' reports can be used as a source of the information requested in any part of question 26 in EPA's September 29, 1994, letter only, then the Respondents need not look elsewhere for that information, but may base their answers to that part of question 26 solely upon the information provided in U.S. Bureau of Mines' reports. However, if U.S. Bureau of Mines' reports do not provide all the information requested in any part of question 26, Respondents must answer that part of question 26 using information other than that provided in U.S. Bureau of Mines' reports.

6. Date response is due

The representatives asked for clarification regarding the date that the Respondents' responses to the September 29, 1994, letter are due. In that the Respondents will be preparing collective answers to certain questions, their responses are due by November 21, 1994, 45 days from October 5, 1994, which is the date by which all Respondents had received EPA's September 29, 1994, letter as determined by the U.S. Postal Service receipts. The 45th calendar day from October 5 is November 19, a Saturday. Therefore, Respondents have until Monday, November 21, 1994, to respond.

7. Conditions and reservation of rights

Respondents must respond to EPA's September 29, 1994, letter according to its terms and conditions except as expressly modified herein. The terms of this letter are limited to EPA's September 29, 1994, information request letter and the Respondents' responses thereto. Nothing in this letter shall limit, in any way, EPA's authority to request the Respondents to provide any and all information which EPA has authority to request under Subsection 104(e) of the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9604(e).

The Respondents may assert a business confidentiality claim covering part or all of the information which they submit in response to this request. Any such claim must be made by placing on (or attaching to) the information, at the time it is submitted to EPA, a cover sheet or a stamped or typed legend or other suitable form of notice employing language such as "trade

secret," "proprietary," or "company confidential." Confidential portions of otherwise nonconfidential documents should be clearly identified and may be submitted separately to facilitate identification and handling by EPA. If the Respondents make such a claim, the information covered by that claim will be disclosed by EPA only to the extent, and by means of the procedures, set forth in subpart B of 40 CFR Part 2. If no such claim accompanies the information when it is received by EPA, it may be made available to the public by EPA without further notice to the Respondents. The requirements of 40 CFR Part 2 regarding business confidentiality claims were published in the Federal Register on September 1, 1976, and were amended September 8, 1976, and December 18, 1985.

This information request is not subject to the approval requirements of the Paperwork Reduction Act of 1980, 44 U.S.C. §§ 3501, et seq.

If you have any questions, please contact Assistant Regional Counsel James E. Costello at (214) 665-8045.

Sincerely yours,

Jane N. Saginaw
Regional Administrator

Enclosure

LIST OF REPRESENTATIVES OF THE COMPANIES THAT WERE THE RECIPIENTS OF EPA'S SEPTEMBER 29, 1994, INFORMATION REQUEST LETTER ON THE TAR CREEK SUPERFUND SITE:

Mitchell H. Bernstein
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1050 Thomas Jefferson Street, N.W.
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(Representing Gold Fields Mining Corporation and Blue Tee Corp.)

Terrance Gileo Faye
Counsel - Law Department
Beazer East Inc.
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(Representing Gold Fields Mining Corporation and Blue Tee Corp.)

Roger K. Fisher
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By-Laws

of

NL INDUSTRIES, INC.

As Amended

June 28, 1990

TABLE OF CONTENTS

By-Laws

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NL INDUSTRIES, INC.

As Amended

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ARTICLE I
OFFICES AND RECORDS OF CORPORATION

The registered office of the Corporation is and shall be at 28 W. State Street, Trenton, New Jersey 08608 or at such other place in that State as may from time to time be designated by the Board of Directors or the Executive Committee. The registered agent of the Corporation at such address is and shall be The Corporation Trust Company or such other agent as may from time to time be appointed by the Board of Directors or the Executive Committee. The Corporation may have one or more offices and keep the books of the Corporation outside the State of New Jersey.

ARTICLE II
SHAREHOLDER ACTION

2.1 *Annual Meeting.* The annual meeting of the shareholders shall be held at the registered office of the Corporation or at such other place and at such time as may from time to time be designated by the Board of Directors or the Executive Committee and stated in the notice of the meeting

2.2 *Action Without A Meeting.* Any action required or permitted to be taken by the shareholders of the Corporation, other than the annual election of directors and the approval of certain other transactions which pursuant to the New Jersey Business Corporation Act (the "Act") require the unanimous consent of all shareholders entitled to vote thereon, may be taken without a meeting upon the written consent of the shareholders who would have been entitled to cast the minimum number of votes which would be necessary to authorize such action at a meeting at which all of the shareholders of the Corporation entitled to vote thereon were present and voting, and any action so taken shall have the same force and effect for all purposes as if such action were taken at a meeting of the shareholders of the Corporation.

2.3 *Special Meetings of Common Stock Holders.* Except as otherwise required by law and subject to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, special meetings of shareholders of the Corporation may be called only by (i) the Board of Directors

pursuant to a resolution approved by a majority of the entire Board of Directors, (ii) the Chairman of the Board, the President or the Executive Committee, or (iii) the holders of at least 10% of the shares of the Corporation that would be entitled to vote at such meeting. Special meetings of the shareholders shall be held at the registered office of the Corporation or at such other place and at such time as may from time to time be specified by the person or persons calling the meeting.

2.4 *Special Meetings of Preferred Stock Holders.* Special meetings of the holders of the Preferred Stock shall be called by the Chairman, the President, the Board of Directors or the Executive Committee under the circumstances provided in Article IV of the Amended and Restated Certificate of Incorporation of the Corporation (the "Certificate") to be held, subject to the provisions of said Article IV, at the registered office of the Corporation or at such other place and at such time as may from time to time be specified by the person or persons calling the meeting.

2.5 *Notice of Meetings.* Except as otherwise provided by law, written notice of the time, place and purpose or purposes of each meeting of the shareholders and each meeting of the holders of any class of shares shall be given by the Secretary by mail or personal service to each shareholder of record entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Notice to a shareholder shall be deemed to be given when deposited in the mail addressed to him at his last address as it appears on the records of the Corporation.

2.6 *Voting.* Except as otherwise provided by law, at all meetings of shareholders and for all purposes, the holders of shares of Common Stock shall be entitled to one (1) vote per share and the holders of shares of a series of Preferred Stock shall be entitled to such votes (if any) to which such shares of Preferred Stock are entitled under the terms of the resolution or resolutions providing for the issue of such series of shares adopted by the Board of Directors, in person or by proxy, for each outstanding share of Common Stock or of a series of Preferred Stock with voting rights standing in his or her name on the books of the Corporation on the date prescribed for the determination of shareholders entitled to vote at any such meeting, or any adjournment thereof. Except insofar as the same shall be inconsistent with the provisions of Article IV of the Certificate relating to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, (a) the holders of shares entitled to cast a majority of the votes at a meeting shall constitute a quorum at such meeting and (b) whenever the holders of any class of shares are entitled to vote separately on a specified item of business, the holders of shares of such class entitled to cast a majority of the votes shall constitute a quorum of such class for the transaction of such specified item of business. No proxy shall be valid after eleven months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall a proxy be valid after three years from the date of execution.

2.7 *Confidential Voting.* All proxies, ballots and vote tabulations that identify the particular vote of a shareholder shall be kept confidential, except that disclosure may be made (i) to allow the inspectors of election (the "inspectors") to certify the results of the vote; (ii) as necessary to meet applicable legal requirements, including the pursuit or defense of judicial actions; or (iii) when expressly requested by such shareholder.

Proxy cards shall be returned in envelopes addressed to the inspectors, which shall receive, inspect and tabulate the proxies. The inspectors shall not be directors, officers or employees of the Corporation.

Comments written on proxies, consents or ballots will be transcribed and provided to the Secretary of the Corporation with the name and address of the shareholder. The vote of the shareholder will not be disclosed at the time any such comment is provided to the Secretary except where such vote is included in the comment or disclosure is necessary, in the opinion of the inspectors, for an understanding of the comment.

Nothing in this By-Law shall prohibit the inspectors from making available to the Corporation, during the period prior to any annual or special meeting, information as to which shareholders have not voted and periodic status reports on the aggregate vote.

2.8 *Record Date.* For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of the shareholders, or at any meeting of the holders of any class of shares, or any adjournment thereof, or for the purpose of determining the shareholders entitled to receive payment of any dividend or allotment of any right, or for the purpose of any other action, the Board of Directors or the Executive Committee shall fix, in advance, a date not less than ten nor more than sixty days before the date of such meeting, nor more than sixty days prior to any other action as the record date for any such determination of shareholders.

2.9 *Listing of Shareholders.* The Corporation's stock transfer agent shall make and certify a complete list of the shareholders or of any class of shareholders entitled to vote at each meeting of such shareholders or any adjournment thereof. Such list shall be (a) arranged alphabetically within each class and series, with the address of, and the number of shares held by, each shareholder; (b) produced at the time and place of the meeting; (c) subject to the inspection of any shareholder during the meeting; and (d) prima facie evidence as to who are the shareholders entitled to examine such list or to vote at such meeting.

2.10 *Inspectors of Election.* Election of directors shall be conducted by one or more inspectors. The Board of Directors or the Executive Committee shall, in advance of any meeting of the shareholder or any meeting of the holders of any class of shares, appoint such inspectors to act at such meeting or any adjournment thereof. If such inspectors are not so appointed or shall fail to qualify, appear or act, the presiding officer of the meeting shall make such appointment. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. No person shall be elected a director at a meeting at which he has served as an inspector.

ARTICLE III
BOARD OF DIRECTORS

3.1 *Number, Election and Terms.* Except as otherwise fixed by or pursuant to the provisions of Article IV of the Certificate relating to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, the number of the directors of the Corporation shall be not less than seven nor more than 17 persons. Additional directors may be elected by the holders of shares of a series of Preferred Stock in the circumstances set forth in Article IV of the Certificate or any resolution or resolutions providing for the issuance of such series of shares adopted by the Board of Directors. The exact number of directors within the minimum and maximum limitations specified in this section and the Certificate shall be fixed from time to time, (i) except as provided in (ii) below, by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors or (ii) by the shareholders pursuant to a resolution adopted by a majority of the shareholders of the Corporation entitled to vote for the election of directors. All members of the Board of Directors elected after June 28, 1990, shall serve one year terms and shall stand for election at each annual meeting of shareholders.

3.2 *Newly Created Directorships and Vacancies.* Except as otherwise fixed by or pursuant to the provisions of Article IV of the Certificate relating to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, newly created directorships resulting from any increase

in the number of directors may be filled by the Board of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, retirement, removal or other cause may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum of the Board of Directors, or by a sole remaining director; provided, however, that any vacancy resulting from an increase in the Board of Directors which is the result of a resolution adopted by the shareholders of the Corporation may be filled by the shareholders of the Corporation in accordance with the Act and any other applicable provisions of the Certificate. Except insofar as the same shall be inconsistent with Article IV of the Certificate or any terms of the resolution or resolutions of the Board of Directors providing for the issuance of a series of Preferred Stock, when one or more directors shall resign from the Board of Directors effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective. Any director chosen in accordance with this section shall hold office until the next succeeding annual meeting of shareholders and until his successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

3.3 *Removal.* Subject to the rights of the holders of Preferred Stock or any other class of capital stock of the Corporation (other than Common Stock) or any series of any of the foregoing which is then outstanding, any director, or the entire Board of Directors, may be removed from office at any time by shareholders, with or without cause, only by the affirmative vote of holders of a majority of the votes cast by the shareholders of the Corporation entitled to vote for the election of directors. Any director may be removed at any time for cause by the affirmative vote of a majority of the entire Board of Directors, i.e., a majority of the total number of directors which there would be if there were no vacancies.

3.4 *Meetings.* Meetings of the Board of Directors shall be held at the call of the Chairman of the Board, the Chief Executive Officer or the President, or at the call of the Secretary upon request of a majority of the directors in office, at the time and place fixed by the person calling the meeting. A majority of the votes of the entire Board of Directors shall constitute a quorum and common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors at which a contract or other transaction between the Corporation and one or more of the directors, or between the Corporation and any corporation, firm, or association of any type or kind in which one or more of the directors are directors or are otherwise interested, is authorized, approved or ratified. Where appropriate communication facilities are reasonably available, any or all directors shall have the right to participate in all or any part of a meeting of the Board of Directors by means of conference telephone or any other means of communication by which all persons participating in the meeting are able to hear each other.

3.5 *Compensation.* The Board of Directors by the affirmative vote of a majority of the directors in office and irrespective of any personal interest of any of them, shall have authority to establish reasonable compensation of directors for services to the Corporation as directors, officers, or otherwise.

3.6 *Notice.* Written notice of each meeting of the Board of Directors and of the Executive Committee and of any other committee shall be given to each member thereof specifying the time and place of the meeting. Such notice shall be given by mail, telegram, radiogram, facsimile, telex, or personal service. Such notice need not be given to any director who signs a waiver of notice, whether before or after the meeting. Neither the business to be transacted at, nor the purpose of, any such meeting need be specified in the notice or waiver of notice of the meeting. Notice of any such meeting that is an adjourned meeting need not be given if the time and place are fixed at the meeting adjourning and if the period of adjournment does not exceed ten days in any one adjournment.

At least twenty-four hours' notice of each such meeting shall be given, provided, however, that notice must be given by telegram, radiogram, facsimile, telex, or personal service when less than four days' notice is given.

If such notice is given to a director by mail, the notice shall be deemed to be given when deposited in the mail addressed to him at his last address as it appears on the records of the Corporation.

The attendance of any director at such a meeting or the participation by any director in such a meeting by means of conference telephone or any other means of communication by which all persons participating in the meeting are able to hear each other without protesting prior to the conclusion of the meeting the lack of notice of the meeting shall constitute a waiver of notice by him.

3.7 *Action Without A Meeting.* Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors may be taken without a meeting if, prior or subsequent to such action, all members of the Board of Directors consent thereto in writing and such written consents are filed with the minutes of the proceedings of the Board of Directors.

3.8 *Reliance.* In discharging their duties as members of the Board of Directors, the Executive Committee or any other committee, directors shall not be liable under the laws of the State of New Jersey if, acting in good faith, they rely upon the opinion of counsel for the Corporation, upon written reports setting forth financial data concerning the Corporation and prepared by a firm of independent certified public accountants, upon financial statements, books of account or reports of the Corporation represented to them to be correct by the person presiding at a meeting of the Board of Directors, the President or the Treasurer or the officer of the Corporation having charge of its books of account, or upon written reports of committees of the Board of Directors.

ARTICLE IV
EXECUTIVE COMMITTEE AND OTHER COMMITTEES

4.1 *Executive Committee.* The Board of Directors, by the affirmative vote of a majority of the entire Board of Directors, may appoint from the directors an Executive Committee, who shall have and may exercise all or any of the powers of the Board of Directors in the management of the business and affairs of the Corporation, including the power to cause the seal of the Corporation to be affixed to all papers that may require it, except any powers (i) held by the Board of Directors under Articles III, V and XII of the By-Laws, (ii) to submit to the shareholders any action that requires their approval, (iii) to amend or repeal any resolution theretofore adopted by the Board of Directors which by its terms is amendable or repealable only by the Board of Directors, (iv) to make, alter or repeal any By-Law, (v) to elect or appoint any director or fill vacancies on any committee or in any officer position, or to remove any officer, director, or committee member and (vi) reserved to the Board of Directors by law.

4.2 *Other Committees.* The Board of Directors, by the affirmative vote of a majority of the entire Board of Directors, may appoint other committees consisting of one or more persons who may be directors and/or non-directors, and such committees shall have and may exercise such powers as shall be conferred or authorized by the affirmative vote of a majority of the entire Board of Directors; provided, however, that such committees shall not have the power to amend or repeal any resolution theretofore adopted by the Board of Directors or any resolution theretofore adopted by the Executive Committee.

4.3 *Meetings.* Each meeting of the Executive Committee or of any other committee shall be held at the call of the Secretary upon request of a majority of the members in office of the respective committees, or at the call of the chairman of such committee, if any, and the Chairman of the

Board, the Chief Executive Officer or the President if such person is a member of such committee. The time and place of any meeting of the Executive Committee or any other committee shall be fixed by the person calling the meeting. Where appropriate communication facilities are reasonably available, any or all members of the Executive Committee or any other committee shall have the right to participate in all or any part of a meeting by means of conference telephone or any other means of communication by which all persons participating in the meeting are able to hear each other.

4.4 *Quorum.* A majority of the votes of the entire Executive Committee or any other committee shall constitute a quorum of such committee and common or interested members may be counted in determining the presence of a quorum at any meeting at which a contract or other transaction between the Corporation and one or more of the members of the Executive Committee or any other committee, as the case may be, or between the Corporation and any corporation, firm, or association of any type or kind in which one or more of such members are directors or are otherwise interested, is authorized, approved or ratified.

4.5 *Records.* The Executive Committee and any other committee shall keep a record of their proceedings and report the same to the Board of Directors at its next meeting following such meeting of the Executive Committee or any other committee, as the case may be, except that, when the meeting of the Board of Directors is held within two days after the meeting of the Executive Committee or any other committee, as the case may be, such report shall, if not made at the first meeting, be made to the Board of Directors at its second meeting following such meeting of the Executive Committee or any other committee.

4.6 *Action Without A Meeting.* Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Executive Committee or any other committee may be taken without a meeting if, prior or subsequent to such action, all members of the Executive Committee or of such other committee, as the case may be, consent thereto in writing and such written consents are filed with the minutes of the proceedings of the Executive Committee or such other committee.

4.7 *Removal.* The Board of Directors by the affirmative vote of a majority of the entire Board of Directors, may remove any director from membership on the Executive Committee or any other committee at any time, with or without cause.

4.8 *Executive Committee Vacancies.* The Board of Directors, by the affirmative vote of a majority of the entire Board of Directors, may fill any vacancy occurring in the Executive Committee or any other committee through death, resignation, disqualification, retirement, removal, or other cause.

ARTICLE V
ELECTION AND REMOVAL OF OFFICERS

5.1 *President; Chairman; Chief Executive Officer.* At the annual meeting of the Board of Directors to be held immediately after the annual meeting of the shareholders, the Board of Directors shall elect a President, and may in its discretion at any time elect a Chairman of the Board and a Chief Executive Officer, who shall hold office until the next annual meeting of the Board of Directors and until their successors are elected and qualified.

5.2 *Secretary; Treasurer.* At its annual meeting the Board of Directors also shall elect a Secretary and a Treasurer and also may elect at any time one or more Assistant Secretaries and one or more Assistant Treasurers who shall act until the next annual meeting of the Board of Directors and until their successors are elected and qualified.

5.3 *Vice President; General Counsel.* The Board of Directors also may at any time elect one or more Vice-Presidents, a General Counsel and one or more other officers, all with such special designations, if any, as the Board of Directors may from time to time specify, who shall act until the next annual meeting of the Board of Directors and until their successors are elected and qualified.

5.4 *Removal.* Any officer elected by the Board of Directors may be removed at any time with or without cause by the affirmative vote of a majority of the entire Board of Directors.

5.5 *Officer Vacancies.* In case of any vacancy in any office of the Corporation through the death, resignation, disqualification, retirement, removal, or other cause, the Board of Directors may elect a successor to hold office until the next succeeding annual meeting of the Board of Directors and until his successor is elected and qualified.

5.6 *Expiration of Term.* Notwithstanding anything to the contrary in the By-Laws, the term of office of any officer of the Corporation shall expire upon his death, resignation, disqualification, retirement or removal.

ARTICLE VI
OFFICERS

6.1 *Chief Executive Officer.* The Chief Executive Officer shall be the head of the Corporation and in the recess of the Board of Directors and the Executive Committee shall have the general control and management of all the business and affairs of the Corporation. He shall also exercise such further powers and perform such other duties as may from time to time be conferred upon or assigned to him by the By-Laws, the Board of Directors or the Executive Committee. He shall make annual reports and submit the same to the Board of Directors and also to the shareholders at their annual meeting, showing the condition and the affairs of the Corporation. He shall from time to time make such recommendations to the Board of Directors, the Executive Committee and any other committee as he thinks proper and shall bring before the Board of Directors, the Executive Committee and any other committee such information as may be required, relating to the business and property of the Corporation.

6.2 *Chairman of the Board.* If a Chairman of the Board is in office, he shall preside at all meetings of the shareholders, the holders of any class of shares and the Board of Directors. During the absence or disability of the Chairman, or during a vacancy in the office of Chairman of the Board, the Chief Executive Officer or, during the absence or disability of the Chief Executive Officer or during a vacancy in the office of Chief Executive Officer, the President, shall preside at all meetings of the shareholders, the holders of any class of shares and the Board of Directors.

6.3 *President and Vice-Presidents.* The President and Vice-Presidents shall exercise such powers, perform such duties, and have such titles as may from time to time be conferred upon or assigned to them by the Board of Directors, the Executive Committee, the Chief Executive Officer and, in the case of the Vice-Presidents, the President.

Except as otherwise provided by the Board of Directors or the Executive Committee, the President shall perform the duties and have the powers of the Chief Executive Officer during the absence or disability of the Chief Executive Officer, or during a vacancy in the office of Chief Executive Officer. The Board of Directors or the Executive Committee may at any time assign any Vice-President to perform the duties and have the powers of the President during the absence or disability of the President, or during a vacancy in the office of President.

6.4 *Secretary and Assistant Secretaries.* The Secretary shall keep a record of all proceedings of the Board of Directors and Executive Committee and of all meetings of the shareholders and meetings of the holders of any class of shares. He shall use the seal of the Corporation as directed by the Board of Directors or the Executive Committee, and shall perform such other duties as shall be assigned to him by the By-Laws, the Board of Directors, the Executive Committee, the Chief Executive Officer or the President.

The Assistant Secretaries shall assist the Secretary and, during the absence or disability of the latter, or during a vacancy in the office of Secretary, shall perform the duties and have the powers of the Secretary.

6.5 *Treasurer and Assistant Treasurers.* The Treasurer shall have charge of the funds of the Corporation. Unless such powers and duties shall have been assigned to other officers of the Corporation by the Board of Directors, the Executive Committee, the Chief Executive Officer or the President, the Treasurer (i) shall keep proper books and accounts, showing all the receipts and expenditures or disbursements of the Corporation, with vouchers in support thereof, which books, accounts and vouchers shall be open at all times to the inspection of any member of the Board of Directors, and (ii) shall also from time to time, as required, make reports and statements to the Board of Directors, the Executive Committee and any other committee as to the financial condition of the Corporation and submit detailed statements of the Corporation's receipts and disbursements. The Treasurer shall also perform such other duties as shall be assigned to him by the By-Laws, the Board of Directors, the Executive Committee, the Chief Executive Officer or the President.

All funds of the Corporation shall be deposited in the corporate name of the Corporation by the Treasurer, an Assistant Treasurer or another officer of the Corporation designated by the Treasurer. During the absence or disability of the Treasurer, the Assistant Treasurers and such other officers of the Corporation designated by the Treasurer, or during a vacancy in the offices of Treasurer and Assistant Treasurer, the Chief Executive Officer, the President, any Vice President, the Secretary, or an Assistant Secretary shall deposit all funds of the Corporation in the corporate name of the Corporation. All deposits shall be made in such bank or banks of deposit as shall be designated by the Board of Directors, the Executive Committee, the Chief Executive Officer or the President. Such funds shall be disbursed only as provided in Article VII.

The Assistant Treasurers shall assist the Treasurer and, during the absence or disability of the latter, or during a vacancy in the office of Treasurer, shall perform the duties and have the powers of the Treasurer.

ARTICLE VII
AUTHORIZED SIGNATURES

The Chairman of the Board, the Chief Executive Officer, the President, any Vice-President or any other officer, employee or other person designated by the Board of Directors, the Executive Committee, the Chief Executive Officer, the President or the Tresurer, together with the Treasurer or any Assistant Treasurer or any other officer, employee or other person designated by the Board of Directors, the Executive Committee, the Chief Executive Officer, the President or the Treasurer shall sign all checks and drafts necessary to be drawn and may accept any drafts drawn upon the Corporation in due course of business in excess of $10,000 or such other amount as may from time to time be specified by the Board of Directors, the Executive Committee, the Chief Executive Officer or the President. The Board of Directors, the Executive Committee, the Chief Executive Officer, the President or the Treasurer shall provide for the designation of officers, other employees and other persons, each of whom shall have the authority to sign and accept checks and drafts not in excess of $10,000 or such other amount designated

pursuant to the preceding sentence. No promissory note, bond, debenture or other evidence of indebtedness shall be made, signed, issued or endorsed by the Corporation unless signed by the Chairman, the Chief Executive Officer, the President or any Vice-President, together with the Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer under powers given by a resolution of the Board of Directors or the Executive Committee except that the Chairman, the Chief Executive Officer, the President, any Vice-President, the Treasurer, any Assistant Treasurer or any other officer or employee authorized by the Board of Directors or the Executive Committee may endorse for collection or deposit only, expressly stating the purpose of such endorsement, checks, drafts and promissory notes to the order of the Corporation.

The seal of the Corporation and any or all signatures of the officers or other agents of the Corporation upon a bond and any coupon attached thereto may be facsimiles if the bond is countersigned by an officer or other agent of a trustee or other certifying or authenticating authority. The shares of stock of the Corporation shall be represented by certificates signed by, or in the name of the Corporation by the Chairman of the Board, the President, or any Vice-President, and may be signed by the Treasurer, any Assistant Treasurer, the Secretary, or any Assistant Secretary of the Corporation and may be sealed with the seal of the Corporation or a facsimile thereof. Any or all signatures upon a certificate may be a facsimile.

ARTICLE VIII
BENEFIT PLANS

The Corporation, by act of the Board of Directors, the Executive Committee, any other committee, or officers of the Corporation delegated by the Board of Directors, may adopt or amend any of the following plans for the benefit of some or all of the employees, officers, directors and agents of the Corporation or any subsidiary thereof, or other persons who are or have been actively engaged in the conduct of the business of the Corporation or any subsidiary thereof, including any who have retired, become disabled, or died prior to the establishment of any plan adopted, and their families, dependents, or beneficiaries: (a) plans providing for the sale or distribution of any class or series of shares of stock of the Corporation, held by it or issued or purchased by it for the purpose, including stock option, stock purchase, stock bonus, profit-sharing, savings, pension, retirement, deferred compensation and other plans of similar nature, whether or not such plans also provide for the distribution of cash or property other than shares of stock of the Corporation; (b) plans providing for payments solely in cash or property other than shares of stock of the Corporation, including profit-sharing, bonus, savings, pension, retirement, deferred compensation and other plans of similar nature; and (c) plans for the furnishing of medical services; life, sickness, accident, disability, or unemployment insurance or benefits; education; housing; social and recreational services; and other similar aids and services.

ARTICLE IX
TRANSFER OF STOCK

Shares of stock of the Corporation shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney duly authorized thereto in writing, upon the surrender of the certificate therefor. Whenever any transfer shall be made for collateral security and not absolutely, the same shall be so expressed in the entry of said transfer.

In the case of loss or destruction of a certificate of shares of stock, another may be issued in its place, upon proof of such loss and the giving of a satisfactory bond of indemnity.

ARTICLE X
FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January and terminate on the last day of December in each year.

ARTICLE XI
SEAL OF CORPORATION

The seal of the Corporation shall be in the custody of the Secretary and such other persons as shall be authorized by the By-Laws and the Board of Directors from time to time and shall have engraved upon it the words "NL INDUSTRIES INC." arranged in a circle, with the words "INCORPORATED 1891" across the center of the space thus enclosed.

The seal shall be used by such officers as shall be provided for in the By-Laws or by such other persons as shall be authorized by the Board of Directors from time to time.

ARTICLE XII
AMENDMENTS

Subject always to the By-Laws made by the stockholders, the Board of Directors may make By-Laws from time to time, and may alter or repeal any By-Laws, but any By-Laws made by the Board of Directors may be altered or repealed, and new By-Laws made, by the stockholders at any annual meeting or at any special meeting, provided notice thereof be included in the notice of the meeting.

ARTICLE XIII
INDEMNIFICATION

Any person who is or was a director, officer, employee, or agent of the Corporation and any person who is or was a director, officer, trustee, employee, or agent of any other corporation or any partnership, joint venture, sole proprietorship, trust, or other enterprise, whether or not for profit, serving as such at the Corporation's request, or the legal representative of any such director, officer, trustee, employee, or agent, shall be indemnified by the Corporation to the extent permitted by law against his expenses and liabilities in connection with any pending, threatened, or completed civil, criminal, administrative, or arbitrative action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding involving him by reason of his being or having been such director, officer, trustee, employee or agent.

ARTICLE XIV
ACQUISITION OF SHARES

14.1 *Anti-Greenmail Provision.* Except as set forth in the following paragraph, in addition to any affirmative vote of shareholders required by any provision of law, the Certificate or the By-Laws, or any policy adopted by the Board of Directors, neither the Corporation nor any subsidiary of the Corporation shall knowingly effect any direct or indirect purchase or other acquisition of any equity security of any class or classes issued by the Corporation at a price which is in excess of the Market Price

of such equity security on the date that the understanding to effect such transaction is entered into by the Corporation (whether or not such transaction is concluded or a written agreement relating to such transaction is executed on such date, and such date to be conclusively established by determination of the Board of Directors), from any Interested Person without the affirmative vote of the holders of the Voting Shares which represent at least a majority of the aggregate voting power of the Corporation, excluding Voting Shares beneficially owned by the selling Interested Person, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or any agreement with any national securities exchange, or otherwise.

The provisions of the preceding paragraph shall not be applicable with respect to:

(i) any purchase, acquisition, redemption or exchange of such equity securities, the purchase, acquisition, redemption or exchange of which is provided for in the Certificate; or

(ii) any purchase or other acquisition of equity securities made as part of a tender or exchange offer by the Corporation to purchase securities of the same class made on the same terms to all holders of such securities and complying with the applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder (or any successor provisions to the Exchange Act, rules or regulations).

For the purpose of these By-Laws:

(i) "Beneficial Owner" and "beneficial ownership" shall have the meanings ascribed to such terms in Rule 13d-3 and Rule 13d-5 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1990.

(ii) "Interested Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person pursuant to Section 13(d)(3) of the Exchange Act, as in effect on January 1, 1990, that is the direct or indirect Beneficial Owner of more than 5% of the aggregate voting power of the Voting Shares.

(iii) "Market Price" of shares of a class of an equity security of the Corporation on any day shall mean the highest sale price (regular way) of shares of such class of such equity security within five trading days, on the principal national securities exchange on which such class of stock is then listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, then the highest reported sale price for such shares in the over-the-counter market as reported on the NASDAQ National Market System, or if such sale prices shall not be reported thereon, the highest bid price so reported, or, if such price shall not be reported thereon, as the same shall be reported by the National Quotation Bureau Incorporated.

(iv) "Voting Shares" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors.

14.2 *Cancellation of Shares.* When shares of the Corporation are reacquired by purchase, by redemption or by their conversion into other shares of the Corporation, the reacquisition shall not effect their cancellation, except as determined by the Board of Directors or as otherwise provided in Article IV of the Certificate.